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MONTHLY REVIEW

FEBRUARY 1936

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****The Bank publishes from time to time in this* MONTHLY REVIEW *signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.*

The Essentials of Prosperity in France

By Frédéric Jenny (Financial Editor of Le Temps).

THE outlook for French trade, agriculture and finance is, for the most part, viewed in Great Britain with a distinct measure of pessimism. We are far from claiming that it is rosy, yet it is by no means so disquieting as many people in London would seem to fear. In the analysis which follows it will be my first aim to furnish as true a statement as possible of the actual position. My appreciation will be strictly objective, and is based upon facts and statistics. The reader will, I venture to think, be interested in so far as he is willing to hear the truth rather than to reach conclusions which may be founded on preconceived, and really erroneous, ideas.

The first indication to take into account is the factor of unemployment. At first sight the impression furnished is seemingly unfavourable, inasmuch as since last autumn the number of persons in France in receipt of unemployment benefit regularly increased every week up to 474,000 on January 25th, 1936.

This figure does not, however, give a complete picture of the labour market. The first point to emphasise is that the

seasonal increase in unemployment, such as habitually occurs in autumn and winter, was less pronounced this year than last. From the end of September, 1934, to January 25th, 1935, the number of persons wholly unemployed had risen by 150,000 in round figures. For the similar period ending in January, 1936, the increase was about 100,000. Thanks to this, there were 4,500 less unemployed than at the same date in 1935. If the rate of increase does not rise in the next few weeks the maximum of 503,500 unemployed as registered at the end of February, 1935, will not be reached this year.

It should also be emphasised that the official return of unemployed represents now a far larger proportion of the total number of people actually unemployed than was the case a few years ago. At the beginning of the crisis it was generally recognised that the official return had to be multiplied by 3. This is no longer so—first because allowances have been progressively made to various categories of workpeople who derived no such benefit originally, and, secondly, because the period during which registered unemployed have the right to benefits was at the outset limited to six months and has been gradually extended since. In practice there is now no limitation of time. Thus the official figure has, step by step, reached accuracy.

Moreover, the number of those only partly employed shows an improvement. Early in January, 1936, the number of workpeople not wholly employed for the normal week of 48 hours was 38¼ per cent., against 47¾ per cent. at the same period in 1935, and it may further be noted that the percentage was nearly 50 at the beginning of February, 1935.

Thus the first impression given by official statistics is not wholly consistent with full recognition of the facts. If we take all the elements of the situation into consideration we are justified in concluding that the progress of unemployment—which was admittedly very disturbing in 1934 and the opening months of 1935, since the official returns showed an increase of 150,000 between February, 1934, and February, 1935—has in the past year almost come to a standstill. The situation is, therefore, not devoid of certain reassuring symptoms. We may, perhaps, be permitted also to observe that unemployment in Great Britain, in the United States and in Germany, although it fell sharply during the past two years, is relatively far more serious than in France.

Let us turn now to the activity of trade and industry. The general level of production, as revealed by French statistics and as based on the figure of 100 for 1913, showed an average of 107 in 1933. In 1934 it fell to 99 and at the end of November, 1935, to 95. There was, therefore, a marked and progressive fall. But here, also, the curve of monthly returns shows some reaction. In May, 1935, the figure had fallen to 92; thereafter it gradually rose from the month of August up to 95, which is slightly above that of November, 1934 (94). And if this result is not very considerable this is mainly due to a fall in the output of motors and in the building trades. On the other hand, there is a marked improvement in the textile industries and in the leather and rubber trades, and a certain recovery also in the metal industry.

Statistical returns are borne out by independent enquiries in various districts, and these show that in several branches of industry a very marked increase of activity manifested itself in the closing months of 1935. In certain factories, as in the cotton, wool, and boot trades, output was then approaching the normal level, and full time was assured for some months ahead in the principal centres. Then again, the Christmas and New Year retail trade incontestably showed expansion in 1935 by comparison with 1934 and 1933; the large stores, the restaurants and the pastry-cooks, to take the classical examples, are relatively elated.

At the same time as this modest recovery was apparent in trade and industry during the latter half of 1935, a noticeable improvement also took place in agriculture. To indicate its nature it may suffice to record that the price of wheat obtained by the farmer, which had fallen to about 50 francs a *quintal* six months ago, is to-day more than 80 francs, whilst during the same period the price of wine of good and average quality rose from 40 to 70 francs a hectolitre.

From all this the upshot seems to be that whilst the general economic level in France is still low, a recovery which is not negligible has taken place during the past few months. This phenomenon is all the more significant in that it has occurred during a period which was politically troubled, both within and abroad. The French are peculiarly susceptible to psychological factors, and these factors have been of a nature to hinder rather than to encourage economic recovery. The inference is that if

such adverse factors had been non-existent the recovery would have been much more marked.

What, then, is the cause of the improvement we have indicated?

First of all we must take into account a number of special reasons which have favoured particular branches of national economy. Thus certain measures of State interference, theoretically highly questionable and in practice very onerous, did actually clean up the agricultural position and so smooth the way for that recovery of wholesale prices to which we have alluded. Besides weather conditions were unfavourable and so, particularly in regard to wheat, tended to accentuate the price recovery. Nor should we overlook that Government orders for the requirements of national defence stimulated certain industries, like the metal trades; that other undertakings profited somewhat from the requirements of Italy before the application of sanctions; and, despite the ubiquity of high customs barriers, the recovery which has taken place on many foreign markets was not without influence on the evolution of French trade and industry. Moreover, misgivings which may from time to time have existed concerning the future of French currency have accentuated the pace of recovery in certain directions, especially in textiles.

Nevertheless all these special and particular reasons would not have sufficed to provoke a movement so general and progressive as that which became noticeable towards the end of 1935. There was then something more, some deeper and more general cause. Close and attentive observation of the facts does warrant the conclusion not, indeed, that the crisis is past—unfortunately we are not yet so far—but that consumption, after having been kept at the lowest ebb for a long time, is now spontaneously tending to rise from the excessive fall which it had undergone. The long and short of it is that once again great economic laws are apparently going to enforce their ineluctable influence, and this despite all the pretensions of those windy people who lay claim to control and direct everything by regulation. The phenomena to which we have called attention seem indeed to bear witness to a change of direction, probably brought about by the exhaustion of available supplies. Just as the overloading of markets ultimately produces a slump after a boom, so the vacuum which has been created during the crisis is to-day creating a movement for the rise.

This development is intrinsically of importance ; it is even more important now because it has taken place after a great effort at economy in French Government expenditure which, according to the nostrums of those who opposed such a policy, was bound to deepen the depression very markedly. To this aspect of the question we shall return on a later page.

1935 was characterised in France, as indeed in most other countries, by a cessation of the fall in prices. The gold index of wholesale prices (which is based by the *Statistique Générale* on the level of 100 in 1913) fell from 79 to 71 between January, 1934, and January, 1935, and continued to fall to 68 or even lower up to July, 1935, recovering to 72 in December, 1935. Likewise the retail gold price, which had fallen in 1934 from 106 to 93, continued to fall until it reached 85 in August, 1935, and then rose to 91 in September. This double curve coincides pretty closely with the development of the economic situation whereof we have just given a summary sketch.

A point which always engages international opinion, to a greater extent indeed than circumstances warrant, is the disparity between the French internal price-level and that prevailing abroad. For instance, in January, 1934, the French wholesale gold price-level was 79, the English one, as given by the Board of Trade, was 64, and the analogous figure for the United States, according to the Bureau of Labour, was 65. These figures are doubtless not precisely comparable. On the other hand, they are all based on the level of 100 in 1913 or 1914, and their respective variations do furnish a sufficiently reliable standard of comparison. Accordingly the French level two years ago was 23½ per cent. over the English level and 21½ per cent. over the American. In November, 1935, the respective levels were 72 for France, 63 for the United Kingdom, and 69 for America. The differences were thus reduced to 14·3 per cent. by comparison with England and to 4·3 per cent. by comparison with the United States.

In regard to retail prices the comparison is not less arresting. The gold levels given in January, 1934, were : France 106, United Kingdom 78, America 64. The French level thus exceeded the United Kingdom by 36 per cent. and the American by more than 66 per cent. In November, 1935, the three figures are 91, 79, and 73. The disparity is reduced

to about 15 per cent. by comparison with the English, and to a little less than 25 per cent. by comparison with the American level.

We dwell on this point because the relatively high French price-level has oft-times been considered a proof of the alleged over-valuation of the franc. Even in France this phenomenon has often provided an argument to the advocates of a further devaluation of the currency. For ourselves, we never have attached such great importance to the factor of the relative price-level. Apart from the consideration that the level is essentially fluctuating, various factors, some of them wholly uninfluenced by the normal play of economic laws, contribute to the fixing of prices. To tamper with the currency so as to adjust internal prices to international prices would be a very risky and a chimerical undertaking. It would be so especially at the present moment, when recent manipulations of the currency in other countries have exercised a restrictive influence on gold prices which normally can only be—and will only be—temporary.

In view of the approximation of prices which we have just mentioned in France, Great Britain, and the United States, that theory which advocates a devaluation of the franc in order to secure such an approximation has manifestly lost much of its cogency. Furthermore it is clear that, if the prevailing rise in international prices continues and nothing unforeseen occurs politically, the actual disparity, which has already been reduced, will easily be dissipated altogether. Admittedly French prices, which for various reasons and especially on account of agricultural protection resisted the world fall in prices for a long time, will only gradually respond to a general rise on the international market.

The professed motive of those who wished to equalise French and international prices by means of a devaluation of the franc was the wish to augment French powers of competing on the international market. Their conception was fallacious. In former times there existed notable disparities between the gold price-levels of various countries. To take a single example, the internal purchasing power of the franc was proportionately far higher than that of the dollar. Differences of 100 per cent. between various countries were not rare. And, despite this, nations exchanged their products and manufactures. Each country had certain articles of export which found an outlet

abroad, for the simple reason that they were better placed than other countries were to produce them. Precisely the same state of affairs would prevail now, if trade were not everywhere impeded by customs barriers and by Government interferences with foreign remittances.

The whole trouble is here. Foreign trade has literally been debased to a primitive system only previously known in ages of barbarism. This, beyond all doubt, constitutes a major and a growing danger for international peace, and one which politicians easily disregard. Tampering with the currency will afford no remedy whatsoever for this radical evil.

It is not therefore to the reputed over-valuation of the franc that we must ascribe the relapse of French foreign trade. The total value (imports and exports) of that trade only reached in 1935 36,400 million francs (£485 millions) as against 40,900 millions (£545 millions) in 1934 and 72,600 millions (£970 millions) in 1931. The drop indicated by these figures is due, in so far as it does not merely reflect the fall in prices, mainly to the world-wide measures which have been adopted to paralyse foreign trade. What shows that France has not lost her competitive power is the movement of *quantities* exported. Last year they reached 875,000 tons, that is to say 3 per cent. more than in 1934. And if we compare the results of 1935 with those of 1932 we shall see : (1) that the increase represents in round figures 6,118,000 tons, or about 27 per cent., and (2) that this increase is spread over all the main categories of exports, including manufactured articles.

Do let us beware of reaching too hasty conclusions from the *values* of French foreign trade. It would suffice to ensure a recovery in French foreign trade if prices reached a normal level on the international market and if foreign remittances and foreign trade could only attain a moderate degree of liberty once more. These developments are indeed indispensable.

After all, the improvement noted in recent months in French internal trade has likewise been apparent in our foreign trade. The monthly value of exports had a record fall to 1,158 million francs (£15 millions) in July, 1935 ; it then rose progressively up to 1,421 million francs (£19 millions) in November. It is true it fell again in December to 1,284 million francs (£17 millions), but that month was characterised on the other hand by a marked increase in imports, amounting to 28 per cent. by comparison with September. These imports

were mainly composed of raw materials essential for industry. This again tends to prove that the internal market is showing signs of recovery.

We now come to the financial situation. This has been for a long time, and especially this year, the principal preoccupation of those in authority. And why? Because public expenditure, during the period of that spurious prosperity which followed upon the stabilisation of the franc, had risen to a level which was perhaps bearable for the country at a time of credit inflation such as prevailed in 1928–1929. It never could be bearable at a time of crisis, or, let us add, at any normal or healthy time. The error then committed is one of the countless errors which were perpetrated in the world owing to the mirage of inflation. This was the root cause of the budgetary tragedy which began in France in 1931 and to which the Government of M. Laval attempted to put a term.

State expenditure having been light-heartedly augmented, a large deficit became apparent so soon as receipts began to drop owing to economic depression. This deficit was between 7 and 10 milliards of francs (about £100 millions) * during each of the last five years. If account be taken of the other borrowing requirements of the State, which had to be added to the annual deficit, it became necessary to raise by loan after December 31st, 1930, about 70 milliards of francs (£935 millions), and of this about 20 milliards in each of the financial years 1934 and 1935. This is one of the main reasons which explain the unsatisfactory state of public credit. It is in part because the State has been driven to borrow too much that it has been forced to borrow at 5 per cent. and over.

For a number of years great efforts had been made to re-establish budgetary equilibrium. They proved unsuccessful. It must be admitted that the means adopted were not always appropriate to the end in view. Since expenditure was too heavy it was clearly essential to reduce it. Remedies were, however, too readily sought in a more rigorous collection and in a higher level of taxes. This was manifestly a barren course of action, since the volume of taxes already paid had long reached the taxable capacity of those concerned.

* In conversions the rate of exchange used is Frs.75 = £1.

The massive and chronic budgetary deficit has been the main cause of the political difficulties and governmental instability which have been the most marked feature in recent years of the general situation in France. It has likewise been the main cause of the uneasiness which has voiced itself from time to time concerning the currency. During the great monetary crisis which France had to face in May, 1935, it became as clear as clear could be that it was now vital to get to the root of the evil, to wit, to cut down expenditure of the State to what the taxpayer was able to give. The Laval Cabinet accomplished this task in July, 1935, by means of a series of decrees with the force of law, issued by virtue of extended powers delegated by Parliament.

Thanks to these measures the ordinary budget of the State, which in 1935 had approached 48 milliards of francs (£640 millions) was reduced to less than 40½ milliards (£540 millions) for 1936. A few years ago it had actually reached a maximum of 53½ milliards (£714 millions).

We must recall that the chief measure to which this fall is due was a reduction of 10 per cent. in almost the whole gamut of payments made by Government, including interest on the public debt. A corresponding reduction was made in house rents and certain private mortgage charges in order to minimise the sacrifices being imposed on officials and war-pensioners. Thus the measures in question assumed a character both exceptional and exorbitant. They were veritable measures of public safety. *They were only justified, and were only accepted by the country, because they were intended to insure the sanctity of the currency.* Had this been sacrificed, the people, in consequence of a rise in prices, would have suffered greater losses, and losses more difficult to keep under control. Besides this, the vast majority of French people consider that—apart from a case of *force majeure*—the sanctity of the currency is a vital necessity, to wit, that of protecting public faith and morality.

None the less, the financial policy followed by the Government in 1935 met, especially from the parties of the Left and the Extreme Left in Parliament, with countless adversaries. Their main reproach was that the reduction in public expenditure would diminish the purchasing power of the country, that the crisis would consequently expand, and that returns of taxes would again fall. According to this school, reduction of State expenditure must inevitably cause a fresh deficit, and

the search after a balanced budget by means of reduced expenditure was a mere chimera.

This train of reasoning slips off the rails from the start. The reduction of State expenditure does not diminish the total purchasing power of the nation, since it frees resources, which are otherwise absorbed by taxes or State borrowing, for purposes of private use and enterprise.

Indeed the relative recovery which we have noted in France in the last months of 1935 proves both the presumption and the ignorance of these learned Thebans. When, according to them, the population was bound to suffer diminution of purchasing power, the exact opposite has in fact occurred, and we have witnessed an increase in private and personal expenditure during the last months of 1935 by comparison with the same period in 1934. The fanciful conception that State expenditure should not be curtailed lest it damage the purchasing power of the masses is an essential part of those contorted theories which have sprouted like rank weeds since the beginning of the crisis. If we may vary the metaphor, they form the stock-in-trade of those jerrybuilders of regulations and *dilettanti* of controlled economies whose pretentious edifices, one and all, crumble as dust once they are up against the test of practical use and the rigid logic of facts.

As to the balancing of the Budget of 1936 what is the outlook? *A priori* a Budget of 40,000 million francs (£532 millions) does not seem excessive for France in normal times. But manifestly the flow of tax receipts will largely depend on the economic situation.

At the present time we can only form an idea of how far estimates are likely to be realised in 1936 by the yield of indirect taxes and State monopolies. That yield was computed upon the basis of actual receipts in the twelve months prior to July, 1935, and the criterion is important because these particular receipts represent two-thirds of the total. For the three months of July, August, and September, 1935, the yield was, on the average, only 5 per cent. below that of the corresponding months in 1934. The drop was but slight; in October, 1935 there was a small increase of 14 million francs, in November there was a decrease of 127 millions, but in December, 1935, the yield of indirect taxes again reached the

level of December, 1934. Then in December, 1935, for the first time for a long while, the tax on business turnover, which is the best possible criterion of economic progress, produced two million francs more than in December, 1934. The tendency of taxation receipts thus bears out the slight improvement in economic conditions which we have already described and, unless there should be a fresh development of the crisis, justifies the assumption that the total annual receipts will correspond more or less with the official estimates, and that in the event of any considerable economic recovery those estimates will be quickly surpassed.

But our anxiety to be objective compels us to add that, side by side with the ordinary Budget, there is an Extraordinary Budget mainly made up of the expenses required for national defence. It reaches a figure of nearly 6,300 million francs (£84 millions) and will be covered by borrowing. There are certain further supplementary estimates which must be met by borrowing, so that the total loan requirements of the State in 1936 will attain about 10,000 million francs (£133 millions).

We have no wish to burke the grave character of this figure; it would indeed be highly disquieting if it were a case of a permanent and a recurrent annual deficit. The needs of national defence have become greater owing to the increasingly disturbing outlook abroad, which we must hope is but transitory. In general it may be affirmed that the expenditure which is to be met by borrowing does, for the most part, represent initial and non-recurrent outgoings. As for the relatively minor items of about 2,500 million francs which may recur, surpluses in the not too distant future should make it possible to include them in the Ordinary, as distinct from the Extraordinary, Budget. Finally, we should not disregard the fact that even if the State has to borrow 10,000 million francs (£133 millions) in 1936, this figure compares with double the amount which was actually borrowed both in 1934 and 1935. The alleviation is thus already marked, and logically public credit should henceforth benefit.

Our picture of French finance would be incomplete if we were to omit to note the continuance of a large working deficit on the railways, or to recognise that this ultimately falls upon the Public Exchequer. The requisite loans to cover this deficit are not included in the total sums we have cited, whether for

1936 or for earlier years. It is apprehended that this year they may reach about the same figure as in 1935, that is to say 4,000 million francs (£53 millions), more or less. The position of the railways, already difficult owing to the crisis, has suffered, as in other countries, from road competition, which is becoming more and more severe, as the most remunerative type of goods is being diverted from the railways. This factor has up to the present neutralised the economies which have been introduced on the railways. A great effort is manifestly required to combat the evil. It can only be effective if the branch lines which are now being worked at a loss are closed down and replaced by motor traffic, whilst on the other hand road competition must be eliminated for commercial purposes along the main lines of communication, where the railways can render satisfactory service to the public on a remunerative basis. A rational solution of the railway problem can only be reached by radical and far-reaching measures of such a character.

The rate of Government borrowing in France is no doubt the subject of comment in Great Britain. The contrast is indeed striking between the high rates which the French Government has to offer and the extraordinarily favourable terms enjoyed by the British Treasury.

To understand why this difference exists we must first take into account the size of annual deficits in French Budgets during the past five years; by the simple law of supply and demand the perpetual issues of fresh loans, required to meet such deficits, have raised the prevailing price of money. The extreme sensitiveness of public opinion in France is yet another reason for the dearness of money. The French investor has neither forgotten the collapse of the franc in 1924–1926, nor the devaluation of 80 per cent. which supervened. The memory of what took place then has been sharpened by the continuance of annual deficits in the Budgets and by the propaganda carried on in favour of devaluation. Almost unconsciously the capitalist embodies in the rate of interest, which he calls for from a borrower, an insurance premium against the risk involved. Alternatively he is moved by the desire to keep his funds as liquid as possible, and he then hoards either in notes or in gold. This goes far to explain the high price of money.

Nor should we overlook the important fact that there is a fundamental difference in the methods of credit circulation in France and in Great Britain. Besides, bank deposits are lower in France because of the hoarding to which we have just alluded, and such hoarding in notes alone is computed by the most authoritative experts to be in the neighbourhood of 25,000 million francs (£333 millions). Thus the resources of the Money Market are necessarily more limited than in London, and the State has no means of borrowing short-term money in amounts and at rates such as are available to the Chancellor of the Exchequer; it is therefore necessary for the State to issue long-term loans, and this reacts on the position in France.

As we have said, the psychological factor is very important, and it is that factor which hitherto has delayed due appreciation of the salutary economies introduced in July, 1935, and thus checked a fall in interest rates for Government borrowing. The reluctance of capitalists to respond to the action of the Government has been accentuated by the conflict in Abyssinia, by internal political agitations which have been a disturbing influence in recent months, and by the opposition which was manifested towards the Government economies of July.

The main and all-absorbing preoccupation of the capitalist, small or large, in France is lest political unrest may once more result in unsound Government finance and in a fresh collapse of the currency. Similar psychological apprehensions work their baneful effects also in the monetary sphere itself, and accentuated by speculation, were the root cause of the crises of May and November, 1935, which, in the aggregate, entailed upon the Bank of France a loss of some 16,000 millions of francs in gold (£214 millions).

It is not financial resources which are lacking. The ingrained French habit of saving has lost none of its old power. But the Frenchman has become mistrustful; now instead of lending he hoards. When it is desired to appreciate justly the financial capacity of France the scientific observer should constantly bear in mind the 25,000 millions of francs (£333 millions) hoarded in notes, to which perhaps 10,000 millions of francs (£133 millions) in gold may be added. If only political apprehensions can be dissipated a large proportion of this great volume of hoarded capital will flow back to the money market, thus supplying the reduced requirements of the State and fertilising private activity in trade and industry. Then interest

rates will fall, and our economic life will assume all the natural development of which it is really capable.

In order to achieve the desired result the country requires a period of political quiet such as Great Britain has enjoyed since 1931, and it also needs the assurance of peace and security in the future. It is solely and exclusively because these two essential conditions, which in reality are one and the same, are lacking that the state of Government credit in France is not yet so satisfying as it should undoubtedly be in view of the great economies and sacrifices which were carried through in July, and of the vast material resources which exist.

We should no doubt disappoint our readers if we did not add a few words on the position and prospects of the franc. We are fully aware that in London prevailing conceptions concerning French currency have been far from favourable. This is a further reason why we should give our opinion frankly.

In any country which is, economically speaking, civilised, the currency has an overwhelming importance, which during the troublous years we have all gone through has been somewhat lost sight of. Of one thing we may be assured : so soon as the position again becomes normal that importance will *everywhere* force itself upon the attention of the powers that be. Let us not forget that the currency is not only a common measure of value, but also the primary means of conserving wealth ; in other words, it is the instrument for achieving saving and is the basis of contracts. This is why it is so vitally important that it should remain stable, and above all in a country of people, such as the French, given to economy and saving. This is also why, except in a case of absolute necessity, the sanctity of the currency should be respected.

The question of the hour for France is then to determine whether or not there exists such an overriding need as to compel Parliament to tamper with the currency? If we leave out of account the eventualities of a foreign war or of a revolution, such a need can, rationally, only arise in three cases. The first is the exhaustion of the gold reserves and the technical impossibility which would arise of maintaining the rate of exchange. The second is too large a private indebtedness, which might threaten the financial structure of the country. The third is excessive public expenditure and taxation. There is no other case. For

reasons we have already developed, in our judgment the level of internal prices is never intrinsically a menace to the currency. If that level is abnormal it never can be immutable, since the practical means of adjusting it are infinite, either by the development of world prices or by internal effort.

The technical risk of a depletion of gold reserves—such as swept sterling off gold in 1931—does not exist for the franc. Even after the loss of 16,000 millions of gold francs (£214 millions) suffered in 1935 and of 1,000 million francs (£13 millions) in January, 1936, the Bank of France still possesses a gold reserve of 65,400 millions of francs (£870 millions), which covers its sight liabilities up to 71½ per cent., that is to say more than double the 35 per cent. which is required by law. The technical defence of the franc is then, so far as the Central Bank is concerned, mere child's play. In this sphere no doubt or question exists.

The second case is that of private indebtedness. It was this which provoked the fall of the dollar in 1933. Similarly it played a large rôle in the events which brought about Belgian devaluation last spring. In France private indebtedness is, however, not excessive. As elsewhere there are of course a certain number of embarrassed borrowers who would welcome an easy settlement of their own difficulties at the cost of the nation. But they are exceptions. Neither agriculture nor industry is as a whole burdened or paralysed by debts as they were in the United States when Mr. Roosevelt came into power. As for the Banks their condition is most healthy. Their liquidity has indeed been rigorously provided for. If the impossible were to happen and a run were to take place our great institutions of credit, which hold two-thirds of the bank deposits in the country, would not experience the slightest difficulty in obtaining more than sufficient rediscounts from the Bank of France, whose credit resources are ample. This is an invaluable fruit of prudent and careful administration. It is also due to the modest volume of bank deposits, which does entail certain drawbacks, as we have indicated above, in other directions.

There remains the case of public expenditure. If the volume of such expenditure persists in being too high in comparison to the national income it is quite clear that the currency will be prejudiced in the end. Does such a danger exist in France?

We shall eschew mathematical calculations. All over the world statistics concerning the national income are far too defective to be relied upon. Practical experience can alone show whether public expenditure is too heavy or not. That experience did establish that an ordinary budget of 53,000 million francs (£710 millions), such as existed in 1930–1931, could not be borne by the country and that even that of 48,000 million francs (£640 millions) for 1935 was far too onerous. In the light of this fact some theorists jumped to the conclusion that the currency was over-valued and that it should be reduced. Those who based their conclusions on the logic of events and on tradition followed a more modest and less complex line of reasoning: they held that expenditure was too high and that economies must be enforced. This course was adopted. Now the taxation results which we have analysed on an earlier page do seem to justify the conclusion that a reduced Budget of about 40,000 million francs can be stood by the country, provided economic activity is merely normal, without being characterised by anything like a boom. (I do not of course wish to be held to advocate that greater general prosperity would not result if a better adjustment of taxation were introduced.)

No doubt critics will hasten to point out that to these 40,000 million francs we should add the 5,000 million francs which represent the normal compulsory allocation for sinking fund purposes and for other compulsory outgoings of the *Caisse d'Amortissement*, and that in the total of 45,000 million francs the charges for the inscribed debt—interest and sinking fund—represent too large a proportion, to wit 30 per cent. Our reply is that the British Budget shows expenditure totalling £730,000,000 (about 55,000 million francs), and debt charges of £224,000,000. This is likewise about 30 per cent., and this despite the very low rate of interest paid by the British Government. And we would add our profound conviction that, provided only France enjoys political tranquillity, the Minister of Finance will, perhaps sooner than now appears likely, be able to undertake conversions and funding operations comparable to those which enabled the Chancellor of the Exchequer to reduce so notably the burden of debt in Great Britain.

We therefore express our view that there is no major reason why a fresh devaluation of French currency should be forced upon us. The so-called over-valuation of the franc is pure

legend. Admittedly there are people in France who wish for a depreciation: embarrassed borrowers, speculators, merchants who hold excessive stocks bought at too high a price, hotel-keepers who hope that the temporary fall of internal gold prices—the fall could only be temporary—would attract foreign tourists, etc. But all these people are a minority. The greater part of the population is hostile to a devaluation because the greater part is composed of those who save and of salaried persons, and they one and all know that they would suffer in the long run from diminished purchasing power, which in France would be inevitable.

Let it be emphasised that we lay no claim to the insight of a prophet. We know not, therefore, what to-morrow may bring forth. What we have sought to establish is simply this, that a fresh devaluation of the currency would neither serve any compelling necessity nor meet the wishes of the majority of the people. We shall leave the reader to draw his own conclusions. Maybe he will be of our opinion—that a policy which aims at devaluing a currency which can be maintained, and easily maintained, at its prevailing level would be the exact opposite of a rational policy.

Sometimes the idea has been expressed in England that a devaluation of the franc would free the economic life of Europe from some unexplained burden or mortgage. We consider this a gross error. Not only is there no such mortgage in existence, but the modification of the principal gold currency of Europe would import into international economic progress a most formidable element of unrest and instability, of a nature to impede, rather than to facilitate, a return to normal conditions. Nor should we overlook the reactions, of a character which cannot be foreseen, that fresh devaluation might entail in France. Such a consummation is desirable neither for Great Britain nor for any other country. Happy should we be if those who have occasion to read what I have penned would give the subject close—and unbiassed—consideration.

FRÉDÉRIC JENNY.

February 4th, 1936.

Notes of the Month

The Money Market.—The end of the year passed very easily, and although the clearing banks called from the discount market as usual, a comparatively small amount had to be borrowed at the Bank of England. December 31st fell on a Tuesday, and the market had three months before been careful to date their Treasury bill applications in such a way that all the maturities of the week including the end of the year fell due on either December 30th or December 31st. Conversely, the market had also arranged that all new Treasury bills allotted that week were not to be paid for earlier than January 1st. The result was that the market was in funds on December 31st, for the Treasury had paid off the week's maturing bills and had received very little for the week's new bills. To meet its own deficit, the Treasury had to borrow from the Bank, and Ways and Means Advances by the Bank of England amounted on December 31st to £37·0 millions. In effect, the discount market was able to make the Treasury borrow for it over the turn of the year. The market only borrowed a small amount, the exact size of which is masked in the Bank return by other operations by the Bank of England.

Since the New Year revenue has been steadily flowing into the Exchequer and the floating debt is being rapidly reduced. During January alone the total of Treasury bills issued by tender has contracted from £565 to £540 millions. This diminution in the supply of bills has made discount rates very weak. The average tender rate has been only a few pence above the bank's minimum buying rate of ½ per cent., and the market has only been able to obtain a small proportion of its weekly applications for bills. In consequence business in bills has been very restricted. Money has been very easy, and at the end of January the clearing banks reduced their minimum rates for loans against certain classes of collateral from 1 per cent. to ½ per cent. At times revenue collection has temporarily taken money off the market, but these funds have been rapidly released by the Government in repayment of Treasury bills, while the return of the Christmas currency from circulation has augmented the cash reserves of the banks. January may thus be described as an easy and inactive month, of which the main feature was the weakness of discount rates.

The Foreign Exchanges.—The main movement during January was the pronounced strengthening of sterling against both the dollar and the gold *bloc* currencies. The depreciation of the dollar from $4.93 to just over $5 to the pound was due to a variety of causes. First the commercial demand for dollars, noticeable every autumn, is now at an end. Instead there has been some commercial demand for sterling, as the United States has been buying rubber heavily in anticipation of a further rise in its price. Next the Supreme Court's judgment against the whole machinery of the Agricultural Adjustment Administration had a very disturbing effect. It immediately aroused fears that the prices of agricultural products would collapse, and that to arrest their decline the American Government might consider a further devaluation of the dollar. It is doubtful if these fears ever had any real basis, but they were quite sufficient to stimulate offerings of dollars. As the demand for dollars is now limited the rate of exchange inevitably moved against the United States.

Simultaneously the events culminating in the fall of M. Laval's Government led to a further weakness of the franc. This first became pronounced on January 21st, and during the following week the sterling rate for spot francs rose above Frs.75 to the pound, and to prevent further depreciation the British control had for several days in succession to make heavy purchases of francs. These francs were at once changed into gold, which was drawn from the Banque de France's own stocks and earmarked in Paris in favour of the British Exchange Equalisation Account. Owing to the prevailing weakness of the dollar, however, the Paris-New York cross rate never moved to the point at which it became profitable to ship gold to the United States. On January 24th the weakness of the dollar was more pronounced, so that it was actually quoted in Paris below par. Thus while during the week ended January 24th the Banque de France lost a thousand million francs of gold, relatively little gold was exported from the country, for the Bank's gold losses consisted of gold transferred under earmark. The remaining gold *bloc* currencies have been a little stronger, and on January 15th the Dutch Bank rate was reduced from 3½ to 3 per cent. Still, the most important event of the month has been the general strengthening of sterling.

The Stock Exchange.—Markets on the whole remained firm during January, and there were numerous improvements in

prices. King George's death cast a temporary shadow over the Stock Exchange, which closed on January 21st and again on January 28th, but there was no set-back in prices or fears of any serious recession in trade. On the contrary, the settlement of the coal dispute on January 24th has proved a source of great encouragement to both the Industrials and Home Rails markets. The latter market also gained considerably from the judgment of the House of Lords which upheld the railways' contention in the rating appeal.

Prices of British Government securities were practically unchanged during January. The partial failure of the latest Australian conversion scheme affected prices for a few days, but the market has since become firmer. In the foreign bond market Brazilian bonds have improved. Far Eastern issues were strong early in the month, but have since fallen. Home Rails have risen sharply in price owing to the coal settlement and the result of the rating appeal. Foreign rails have been dull, but Argentine stocks improved on hopes of a favourable outcome to discussions on exchange difficulties between the railway companies and the Argentine Central Bank. The industrial market has been very firm. Trade prospects appear better than ever, and the coal settlement has removed the main cause of doubt. There have been pronounced rises in both the oil and rubber share markets. Dealings in oil shares have been influenced by the month's advance in American crude oil prices, but towards the end of January there were signs of profit-taking. The rubber market has responded to the expansion in the world demand for rubber, to the continuance of restriction and to the rise in the price of rubber to over 7d. per lb. Tea shares improved early in the month, on the unexpected news that the quota was not to be increased. Prices have since been irregular. Gold mines have been firm, but many operators are awaiting further news regarding taxation in South Africa. Base metal mining shares have had no definite trend.

Commodity Prices.—While both British and American wholesale prices had a slow downward trend during January, their net fall was much less than might have been expected. At an early date in the month, the United States Supreme Court declared unconstitutional the whole of the Agricultural Adjustment Administration, and this judgment might easily have precipitated a sharp fall in the price of primary products.

As matters have turned out, there has been a very moderate decline. It is clear that trade has revived to the point both where current demand begins to balance production and also to make outstanding stocks a less serious threat than they were several years ago. The outlook is not yet wholly clear, but there seems no reason to fear a serious collapse. During January itself, the British wholesale price-index number fell from 113·8 to 112·8, against an average of 113·4 for December. American wholesale prices fell from 122·4 in the second week of January to 121·7 at the close of the month, the December average being 122·2. French wholesale prices have continued their slow rise to 81·8 at the end of January, while the German index number has been steady at 95·2. In all cases the base date is September, 1931.

According to the Ministry of Labour calculations, both retail food prices and the cost of living remained unchanged during December, the former at 31 and the latter at 47 per cent. above their pre-war level. Since the end of 1934 the retail food prices index number has risen from 25 to 31, and the cost-of-living index from 43 to 47. The normal seasonal decline in both index numbers is now due to begin.

Overseas Trade.—During December import trade became more active, while there was some falling-off in exports. The actual returns were :—

	Dec., 1934 £ mill.	Nov., 1935 £ mill.	Dec., 1935 £ mill.
Imports	63·2	71·5	74·5
Exports	34·3	39·4	34·9
Re-exports	3·6	4·6	5·4
Total exports	37·9	44·0	40·3
Import surplus ...	25·3	27·5	34·2

There is normally a seasonal expansion in imports during the closing months of the year, but the big increase of last December over the previous year shows that the recent expansion has been more than seasonal. Comparing December, 1934 and 1935, food imports have risen from £30·4 to £34·4 millions, raw material imports from £18·7 to £23·6 millions and imports of manufactures from £13·8 to £16·0 millions. The increase is greatest in the case of raw materials, and it is difficult to escape the conclusion that the whole of the December

increase in imports is due to more active home production and trade and to greater home purchasing power. Exports are well maintained, but they are clearly lagging behind home trade.

The results for the complete year are summarised in the following table :—

Description	Year 1934	Year 1935	Increase (+) or Decrease (−)
	£ mn.	£ mn.	£ mn.
Total Imports	731·4	756·9	+25·5
Retained Imports	680·2	701·7	+21·5
Raw Material Imports	209·5	211·8	+ 2·3
Manufactured Goods Imports	171·4	185·1	+13·7
Total Exports, British Goods	396·0	425·9	+29·9
Coal Exports	31·9	31·6	− 0·3
Iron and Steel Exports	35·1	37·1	+ 2·0
Cotton Exports	59·1	60·2	+ 1·1
British Manufactured Goods Exports ...	304·8	328·9	+24·1
Re-exports	51·2	55·3	+ 4·1
Total Exports	447·2	481·2	+34·0
Visible Trade Balance	−284·2	−275·7	+ 8·5

Largely because of the December increase in imports, the adverse trade balance for the year is greater than at one time seemed likely, with the result that it is only £8·5 millions less than in 1934. Still, "invisible exports," such as the net earnings of British shipping and interest on British overseas investments, should show an improvement over 1934, and so it is reasonable to expect that 1935 has recorded a favourable balance of payments. This will add to the stability of sterling, and also leaves a small margin available for overseas investment, if suitable opportunities occur.

Home Reports

The Industrial Situation

The death of His Majesty King George came as a grievous shock to the nation, and all thoughts of business were for a period suspended. Yet there is no reason to fear that it will be the cause of any serious interruption to trade, and current indications continue to show that the revival is making further progress.

As regards production, most industrial reports are encouraging. The country has been relieved from all fears of a coal stoppage, and so one of the main causes of doubt has been removed. Activity in the heavy industries, including iron, steel and engineering remains unabated, and Glasgow reports an expansion in shipbuilding. The coal trade has recently been very active, as fears of a stoppage had stimulated home demand, but it remains to be seen how it will be placed now that this abnormal stimulus has been removed. The revival in the building trades continues, and new plans passed last December were substantially in excess of those approved in December, 1934. The motor-car trades are very well employed, and the aeroplane and allied industries are making preparations for increased production.

This is reacting favourably upon employment, consumption and general business. In the middle of December the total number of insured workers in employment was 10,599,000, and the unemployment percentage was 14·2 or the lowest since April, 1930. Raw material imports for December were considerably higher than in December, 1934, while railway goods traffic returns for the first three weeks of 1936 were slightly above those of the previous year. Certain of the consumption industries, such as wool textiles, clothing and boots and shoes are sharing in the revival, but the cotton industry is less encouraging. Shipping to some extent suffered from the possibility of a coal stoppage, which diverted to the home market coal which would normally have been available for export. The latest retail trade returns cover the weeks of Christmas shopping. They show that the value of trade in December, 1935, was 9·1 per cent. greater than in December,

1934. The note circulation also rose to a record level, but since Christmas there has been the normal return of notes from circulation. January metropolitan and country bank clearings, however, showed an improvement over last year, so that money continues to circulate freely. All the indications, therefore, point to further progress.

Abroad there has been a definite revival in the United States, while the Dominions continue to show signs of recovery. Conditions in the gold *bloc* countries remain difficult, but Holland reports a revival in the Dutch East Indies. There has been some set-back in Germany, which is partly seasonal. News from Belgium and Scandinavia is reasonably encouraging, while the exchange position in South America is in some respects easier. Japan reports industrial progress during the closing months of last year. Taking the world as a whole, the trend of trade and production is definitely upwards except in those countries which are subject to special difficulties.

Agriculture

England and Wales.—According to an official report, autumn sowing has been much retarded, in spite of some progress at the beginning of January. Germination, however, has been good, and plants generally appear strong and healthy, except on low-lying land. It is estimated that the areas sown to wheat and barley are 5 per cent. less, and the area under oats 6 per cent. more, than at the end of 1934. Cattle and sheep have done fairly well, and breeding ewes are in good condition. Milk yields are normal. Winter keep should be adequate if open weather continues.

Scotland.—Wintry conditions during January have seriously retarded farm work, and for a time the frost was so keen that in some cases farmers had difficulties with the food supplies, etc., for their stock. In the produce markets fair supplies of grain have been on offer, with not much enquiry on the whole, but potatoes have met a brisk demand at prices inclined to firm for both ware and seed. In the livestock markets there was a better demand for fat cattle and sheep, and the recent improvement in prices has been maintained. Increased supplies of store cattle and sheep have come forward, but prices in this section have also continued firm.

Coal

Since the following reports were received, a settlement of the threatened coal dispute has been announced, and all fears of a stoppage have been removed.

Hull.—Supplies for export have been affected by the heavy pressure for the home market, as a result very high prices rule for all qualities.

Newcastle-upon-Tyne.—Consumers at home and abroad continued to stock to fullest capacity, so long as any possibility of a stoppage remained, and in consequence there was a strong demand for every class of fuel. Apart from this, however, steady business is assured to the collieries for the ensuing months, and forward prices remain firm in consequence. Coke is in great demand, and makers are obtaining full values for any export business offering.

Sheffield.—The export coal market is difficult and supplies are scarce. Forward business is small. Industrial fuels are in good demand, owing to the prosperity of the iron, steel and allied trades. Business in household fuels is good.

Cardiff.—The improvement in the South Wales Coal market is fully maintained. With the exception of some classes of large coals, all types are in strong demand, especially through coals, washed and unwashed smalls. Sized coals are a shade easier, but the position generally is firm. The markets are expected to ease when the strike threat has definitely passed. Requirements for inland consumption are particularly heavy, especially for small coals. Cokes are in keen demand, and the market for patent fuel remains firm.

Newport.—Foreign shipments amounted to 192,000 tons in December, against 210,000 tons in November and 149,000 tons in December, 1934. Dock shipments of coal for the year totalled 2,974,000 tons against 2,803,000 tons in 1934. Collieries have been working more regularly, and inland demand has been considerable. The fear of a stoppage undoubtedly augmented purchases during January, and at the middle of January the output had for eight consecutive weeks kept above the level of last year.

Swansea.—Best brands of anthracite keep firm, but inferior qualities are irregular. Stove nuts and pea nuts are in better demand owing to inland requirements. Rubbly culm maintains firm prices, as supplies are limited.

East of Scotland.—In both Fife and the Lothians collieries are working full time to overtake orders for first-class steams, which in the middle of January were fully booked up for a fortnight ahead. All classes of washed fuels are active and continue to move off as produced.

Glasgow.—The fear of a strike was considerably allayed by the decision of the miners' representatives to postpone their notices of termination of contracts with the collieries. The home market was consequently much quieter during January, collieries have plenty of orders, however, and are finding no difficulty in disposing of outputs which are on a full scale. Home demand is so heavy that very little coal is offered in the export market, and collieries are quoting high prices for the limited quantities available. New prompt business with foreign countries is impossible at the inflated prices indicated by producers. No forward contracts are being entered into, as importers abroad cannot be induced to pay collieries' quotations, and shippers will not commit themselves speculatively.

Iron and Steel

Birmingham.—The market remains firm for all classes of steel and pig-iron. Good specifications are coming forward, mills are well employed, and at the blast furnaces stocks are being drawn upon to keep pace with the increased demand. Prices generally are unchanged, but the uncertain outlook in the coal-fields made producers slow to commit themselves for forward delivery. The British Iron and Steel Federation have agreed to the importation of a considerable tonnage of Continental semi-finished products. This will ease the position in the billet market which had become exceedingly tight.

Sheffield.—The year has started well for the steel trade, and there is no sign of any diminution of the prosperity that characterised last year. Makers of basic steel are working to capacity and business in basic billets and acid carbon steel is very active. The market for stainless and heat-resisting steels is constantly expanding and heavy quantities of sheet, strip, rod and castings are being produced. The position of steels for aircraft and automobile construction and cycle manufacture continues strong. Re-rollers are well employed.

Tees-side.—There is a record production of steel and orders for all classes of material are heavy. Demand for semi-finished

steel exceeds local productive capacity, and the agreement with the Continental Cartel providing for an increase of imports is welcomed. Demand for structural and shipbuilding materials is good. Pig-iron manufacturers are taking steps to rekindle idle blast furnaces, and exports have virtually ceased, as home demand at better prices is absorbing practically all available supplies. The requirements of steel furnaces have led to a reduction of the quantity of pig-iron available for sale, but increased production will enable supplies to be offered again in the near future. Meanwhile makers are unable to accept any additional offers of business.

Walsall.—Malleable iron founders and tube manufacturers are all busy, and the future is viewed with confidence.

Wolverhampton.—Local foundries are fully employed.

Newport.—Imports of semi-products amounted to 23,800 tons in December, an increase of 5,500 tons over the November figure, but 2,000 tons less than in December, 1934. Exports, including general cargo, totalled 12,300 tons, against 13,400 tons in November and 14,000 tons in December, 1934. An interesting shipment of four complete railway coaches, each 72 feet long, was made to China. Some works report reduced output in December, but on the whole demand was good.

Swansea.—The demand for tinplates improved during January, and the market has a steady tone. Welsh makers have exceeded their export quotas for the first quarter, and restrictions have again been imposed in accordance with the International Agreement. These will remain in force until other countries have filled up their quotas.

Glasgow.—Business is rather quiet, but makers are sufficiently well supplied with orders to ensure the full-time working of plants for at least six months ahead. In the steel trade makers are so busy that it is not easy to obtain delivery of home orders. A fair number of export orders have been placed of late, including some for ship-plates and sections for Scandinavian countries. Sheet makers are also very busy on home orders. Export trade shows little improvement, however, and producers of galvanised sheets would welcome orders. Steel re-rollers and makers of wrought iron have large orders in hand. Business in tubes is at present held up by the possibility of a reconstruction of the Cartel, and orders are being received somewhat slowly. There is a good home

demand for all qualities of Scottish pig-iron, especially for steel-making iron. The production of the latter has been increased by a change-over of some furnaces to make hematite and basic pig-iron.

Engineering

Birmingham.—Conditions in both the heavy and light industries remain exceedingly good. The electrical trades are busy, and there has been no slacking-off in the trades manufacturing motor-cars and their components and accessories. There is a steady demand for tubes. Manufacturers of light constructional material and factory equipment are especially busy. A number of firms in the Midlands are extending their premises or building new premises. There is some scarcity of skilled labour.

Coventry.—Motor-car factories continue fully employed, and there is in progress much preparation for increased manufacture in connection with aircraft. Electrical engineering works are engaged at full pressure.

Leeds.—There has been an improvement, particularly in the lighter section.

Leicester.—Demand shows no sign of slackening, and almost every section of the industry is very well employed. Firms making shoe machinery report very good business.

Sheffield.—Conditions show further improvement, and most firms are well employed. Enquiries are more numerous and prospects very promising. The various sections of the tool trade continue to work at full pressure and, in spite of large increases in productive capacity during the past year, there is still some difficulty in supplying demand.

Wolverhampton.—General engineering is in a much better position than a year ago, and demand for material for all sections is good. Constructional engineers are more active. Makers of light goods such as components for the automobile and aeroplane industries are busy. Demand for commercial and passenger vehicles continues satisfactory. All sections of the electrical trades are active, and factories are working to capacity.

Glasgow.—Demand for new shipping tonnage continues to expand, and at present there are some 300,000 tons under

construction, which represents approximately 40 per cent. of all orders on hand in Great Britain and Ireland. During the past three months the amount of work on hand has increased by about 90,000 tons. The total consists of 37 vessels amounting to 221,806 tons in the Glasgow area, and 19 vessels amounting to 95,774 tons in the lower reaches of the Clyde.

Metal and Hardware Trades

Birmingham.—Business in the brass and copper section remains fairly quiet. Prices are steady. Manufacturers of brass and copper tubes are very well employed. The general hollow-ware trade continues busy, and expansion has taken place in some directions.

Sheffield.—There is a seasonal quietness in both the cutlery and the E.P.N.S. and sterling silver sections. While enquiries are fairly numerous, firm orders are scarce. Trade in scissors and safety-razor blades is relatively good.

Wolverhampton.—There is a steady expansion in the hardware trades. The lock industry shows unabated activity. In spite of interruptions to the building industry owing to the inclement weather, the demand for ironmongery and brass-foundry remains unaffected. The hollow-ware industry is well employed, and a good demand continues for household utensils as well as enamelled tanks and containers.

Cotton

Liverpool.—There has been a moderate turnover in spot cotton, mainly in stapled qualities. Peruvian, Egyptian Uppers and Sudan Sakellaridis have been in fair demand, and the last-named has risen in price to over 10d. per lb. for F.G.F., owing to a shortage of spot supplies. During the month the outstanding event was the declaration by the United States Supreme Court that the Agricultural Adjustment Act was unconstitutional. Although this decision was generally anticipated it was thought that the United States Government had prepared counter-measures. There has, however, been no declaration of policy by that Government so far, and in view of the uncertainty of the position regarding the Government holdings of cotton and as to the acreage to be sown to cotton next year, prices have declined and American "futures" are some 30 points lower. Deliveries of cotton to Lancashire mills continue to

show an improvement and since August 1st last 50,000 more bales have been delivered than in the corresponding period last year. Manchester reports moderate cloth enquiries though sales of weight are few and far between. Coarse American yarns have been in active demand.

Wool

Bradford.—Prices for merino tops remain firm. The output from the combs is readily absorbed and machinery activity is well maintained.

Huddersfield.—The activity of the past six months continues unabated, particularly in the medium worsted and woollen sections. Production is being maintained at a very high level, but output would be greater if more skilled operatives were available. The possibility of transferring weavers from other textile areas is being examined. Manufacturers are now showing patterns for next winter. The severe weather this winter has helped to clear stocks, and orders for new goods are very satisfactory.

Hawick.—Reports from the Borders indicate that the tweed trade with America and Germany is reviving, and so far as these countries are concerned prospects for next winter season look rather brighter. Home trade continues dull, and most of the mills are still on short time, although some are busy with special orders. Hosiery and underwear manufacturers are fairly active, with knitted woollen goods for outer wear still in demand. Wool prices marked a further increase at the beginning of January, and have since maintained this advance. Spinners and dyers are rather busier.

Other Textiles

Dundee.—The market in raw jute is firm, with prices rising slightly. Quoted prices in manufactured goods are unchanged, and buyers are showing little interest. Actual business is confined to small lots.

Dunfermline.—There is little change in the Fifeshire linen trade where buyers are still inclined to hang back, but, with the manufacturers quite busy, prices continue firm. The raw material position is very uncertain, and spinners are not inclined to buy the fibre unnecessarily when the demand for yarns remains so easy.

Clothing, Leather and Boots

Leeds.—The clothing trade continues to be well employed, and is likely to remain so during the next few months.

Leicester.—Home trade in boots and shoes continues good, but export trade is still poor. The firmness of the leather market has tended to create confidence and to lessen the risk of holding stocks. Home trade in hosiery is good and the loss of the first half of 1935 has been made good. Export trade, however, is exceedingly poor.

Northampton.—The improvement in the boot and shoe trade is maintained, and most factories are fairly well supplied with orders. Leather prices remain firm, with the probability of increases in the near future.

Walsall.—The improvement in the tanning industry is being maintained, and prices of both light and heavy hides are hardening. In the fancy leather goods business there was a seasonal lull in activity in January, but the outlook appears decidedly more hopeful than twelve months ago.

Shipping

Hull.—Largely in view of the scarcity of export coal, the demand for tonnage has been meagre. Rates for most destinations have been quietly steady.

Liverpool.—Outward coal freights have been quiet, with a moderate demand for tonnage. Homeward from the River Plate freights are steady at schedule rates, but chartering is not active. Elsewhere conditions are quiet and rates unchanged.

Newcastle upon Tyne.—Chartering is steady. Freights are affected more by the question of loading turns than by ordinary supply and demand.

Cardiff.—The difficulty in arranging loading turns persists, enquiry is limited and demand for tonnage is poor. Rates for all directions are consequently easy.

Newport.—Freights continue fairly firm, particularly for smaller vessels, but there are considerable complaints about the inroads of foreign tonnage into certain import and export trades. France and Holland now seek to carry coal bought from this country in their own ships when available. The Soviet Republics are pursuing the same policy for their imports and exports.

East of Scotland.—There were about twenty-five vessels on loading turn at the Forth coaling ports at mid-January. Leith dock trade for December showed some general improvement compared with the corresponding period a year ago, and imports show appreciable increases. December imports of wood in particular, at 9,404 tons, showed a substantial rise over the previous year.

Glasgow.—Business is extremely quiet in the coal freight market, owing to the acute scarcity of stems. A minimum of business is offered in all sections by shippers, and as tonnage is in liberal supply, rates in all directions are weak.

Foodstuffs

Liverpool, grain.—Conditions have been quiet on the wheat market, though a firm tone has prevailed. On the "futures" market in the early part of the month prices were firm, but there was a decline following on the decision of the United States Supreme Court that the Agricultural Adjustment Act was unconstitutional. Latterly there has been some recovery, though this has been limited to the near months, the demand having been almost entirely for spot or near delivery. Distant months have gone to a discount of about 3d. per cental. The statistical position continues strong and Canada and Australia, the two principal countries to which consumers must look for their supplies for some time to come, are offering more freely. The Argentine is exporting very little owing to the partial failure of its crop. Reports on the condition of winter-sown wheat in the northern hemisphere are generally good, though in Western Europe considerable areas are suffering from an excess of moisture. In France, especially, the crop has suffered and its condition is now stated to be much below the average. There has been a steady demand for Plate maize. The price has declined about 2d. per cental under selling pressure from the Argentine.

Liverpool, provisions.—During the month supplies of Continental bacon have been moderate and demand steady. The trade in American hams proved slow with stocks ample for all requirements. The price of lard has eased in consequence of freer arrivals and a small consumptive demand. Continental butter remained firm with only small parcels on offer until the

past week, when quantities were rather heavier with a resulting drop in values. Arrivals of Empire butter in the North of England have been very irregular, but London is fairly well supplied and prices have fluctuated considerably. The market in cheese has been on a small scale and prices have continued firm. In the canned goods section, meats were in good demand with supplies restricted, and fruits a normal trade at about unchanged prices.

Fishing

Brixham.—Prime fish has been well supplied during January. A few boats landed good catches of sole which fetched good prices. Increasing quantities of scallop are being landed and find a ready and profitable market. Isolated catches of herring fetched unusually good prices.

Lowestoft.—During December the total quantity of wet fish landed by British vessels in England and Wales was 50,000 tons, valued at £953,000, compared with 54,000 tons with a value of £984,000 in the corresponding month of 1934. The total quantity landed in 1935 amounted to 717,000 tons, an increase of 38,000 tons on the previous year. The value showed a decrease of about £4,000. One of the most satisfactory features of the year was the increase of £367,000 in the value of the herring catch for England, Wales and Scotland as compared with the disastrous year 1934. The price of pickled herrings became very firm during December, and before the end of the month the greater part of the Russian contract of 50,000 barrels had been shipped by a Russian steamer.

Penzance.—Fishing has been somewhat curtailed by the recent very severe weather. The herring fishing has lasted longer than for many years, and has on the whole been good. At the middle of January, however, boats were unable to make further trials, and consequently there was very little fishing in the area.

Scotland.—At Stornoway and other ports on the West Coast there have been fair landings of herring of good quality. Considerable expectations have been formed this year in regard to the herring fishing at the mouth of the Forth, and the port of Anstruther in particular is already becoming active. At mid-January, however, landings were still very light, and were

realising good prices. The line-fishing round the coast has again been seriously hampered by stormy weather and fog, and catches have found a ready market.

Other Industries

Paper-making and Printing.—There is still little change in the Edinburgh paper-making trade, and most of the mills continue to be on short time. The printing trade remains active, and prospects for the first quarter of the year are regarded very hopefully.

Pottery.—Longton reports that although January is usually a quiet month, orders have been satisfactory, and prospects are good. The recent increase in the price of coal may in some cases cause a further rise in pottery prices. Pottery exports for 1935 showed an encouraging increase over 1934, especially with the Empire, but the South African figures are disappointing. The United States trade is showing signs of improvement.

Timber.—The chief interest to Hull importers this month has been the break-down of negotiations between timber distributors and the Russians, and after the extraordinary general meeting of the shareholders, the directors decided it was impossible to resume negotiations for underwriting the contract.

The main reason for the break-down was the responsibility which shippers tried to place upon timber distributors for a definite selling time-table, and the directors felt it was not possible to combine a clause of this nature in the contract.

The Russians, therefore, are now selling their goods on a free market and the prices are half-a-crown less all round on those which were being discussed with timber distributors, making the basis for Archangel 7" £11 15s. 0d., and that of Leningrad £11 12s. 6d.

A slight reaction has been felt owing to timber distributors not agreeing to underwrite the Russian production, but in spite of this the Russian prices are most competitive, and it is anticipated there will be a ready response for Russian goods.

Pitwood imports at Newport amounted to 7,500 loads against 7,960 loads in November. Three cargoes totalling 4,600 loads came from France, and two cargoes of 2,700 loads from Portugal. Other timber imports amounted to only 540 standards, against 2,500 standards in November.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Employment, trade, and the general outlook are the best for five years. The recovery is due mainly to favourable seasons and to higher prices for principal export commodities. December retail trade was well above last year. Secondary industries have registered substantial increases. The number of building permits is also higher, and overseas trade is expanding. At the January wool sales demand was buoyant and prices firmer. The wheat harvest is well advanced with output larger than last year, and big sales are reported. Good rainfalls early in January indicated improved conditions in pastoral country and in the dairying districts.

Canada

From the Imperial Bank of Canada

Further indications are available of the extent of industrial recovery in 1935. Dividends distributed during the year were in excess of $225 millions, compared with $200 millions in 1934, and $140 millions in 1933. This increase was accompanied by a substantial rise in the market value of securities. It is estimated that exports and imports for the year will total over $1,300 millions, and that the favourable trade balance will be over $170 millions. The official index number of economic activity for 1935 will be almost 7 per cent. higher than for 1934. In December the index again rose above the " normal " level of 1926. Important increases during the year were shown in automobile production, building and construction, steel production, and output of electric power, and the last registered a new high record. There was some contraction in bank debits and in commercial loans, indicating that industrial recovery is still being financed very largely out of liquid reserves. Freight movements registered a small increase; bank deposits again expanded; the wholesale price index rose fractionally, and unemployment was further reduced. Mineral production reached a new high point in volume, and newsprint production was maintained at a higher level than in 1934, but the margin of profit was still unsatisfactory. Improved sentiment as regards the future takes into account the strong working majority of the Government, and the clearing-up of the wheat situation.

The wheat situation has been further eased by the adoption of a new policy, and by the price advances in the world markets. On the other hand, there are serious financial problems awaiting solution. These include the railway situation, and the necessity for reducing relief and other expenditure, if public budgets are to be balanced and obligations respected.

India

Bombay.—Early in December the demand for raw cotton was checked by the fall in silver and uncertainties regarding the American situation. Although growers showed a tendency to hold back cotton, up-country prices became easier. Later in the month some speculative interest revived on expectations of better markets abroad coupled with indications that the Indian mills were beginning to replenish their stocks. The piece-goods market experienced a very quiet month. Demand for British goods fell away, and forward business became negligible. Manchester prices were again regarded as too high. Demand for Japanese goods has been quiet, and prices have weakened. There has been a moderate business in Indian goods.

Calcutta.—Business in the loose jute market was restricted by the Christmas holidays. Early in December, demand for baled jute was small, but later a fair business was done at declining rates. Prices for export teas remained steady throughout the month. The United Kingdom stock figure at the end of November was 247½ million lbs., against 281 million lbs. at the same time last year. No increase in the quantity of the tea crop released under the restriction scheme has been made by the International committee, and the quota remains at 82·5 per cent. of the best crop basis as last season. Teas for local consumption remained strong, and dusts met with keen competition.

Rangoon.—The chief feature of December was the fact that old crop rice finished earlier than usual and new crop rice was later than usual. The gap thus created stopped business, but the Indian demand was met by Saigon, and prices remained steady. Saigon and Bangkok are becoming formidable rivals to the Burma rice trade, and there are indications that they are under-cutting Rangoon in the European market. In early January much depended upon paddy, and a marked lowering of prices was needed for business to be done. The European

demand for timber has revived, but the home market was inclined to be dull. Auction prices for round logs remained steady. In the hardware trade, demand from up-country has been disappointing, and some dealers are having to sell below cost in order to obtain ready cash. At the New Year the market appeared over-bought, and the costs of obtaining fresh supplies from Japan and the Continent appeared to be falling. Still, the season has hardly opened, and dealers should eventually liquidate their position without loss.

Irish Free State

Unfavourable weather conditions have still further retarded farm work. Livestock are reported healthy, though outlying stock suffered somewhat from wet and cold. The new order regarding the compulsory mixture of home-grown grain with imported maize has not had time to have effect on the demand for oats and barley, which fell off considerably in December. Root crops were generally up to average in yield and quality. It is anticipated that if weather conditions improve the acreage of wheat sown will be at least 50 per cent. greater than last year. Trade in cattle remained slow, except for the Christmas seasonal demand. Forward well-bred stores in good condition meet with the best demand. Sheep are reported to be in good condition.

France

From Lloyds & National Provincial Foreign Bank Limited

The foreign trade returns for 1934 and 1935 are summarised below :—

	1934. Frs. mill.	1935. Frs. mill.	Difference. Frs. mill.
Imports—			
Foodstuffs	7,484	6,230	– 1,254
Raw Materials	11,371	11,182	– 189
Manufactured articles ...	4,242	3,533	– 709
Total	23,097	20,945	– 2,152
Exports—			
Foodstuffs	2,584	2,473	– 111
Raw Materials	5,160	4,254	– 906
Manufactured articles ...	10,106	8,746	– 1,360
Total	17,850	15,473	– 2,377

The adverse visible trade balance for 1935 amounts to Frs.5,472 millions, compared with Frs.5,247 millions for 1934. In the course of the past month the Bourse was affected by two events. These were the failure of the Anglo-French plan in connection with Abyssinia, and the heavy fall in New York of the price of silver, following on the new monetary policy of the United States. Both events aroused some nervousness, but there was no great selling pressure, and this indicates that the market is in a healthy condition. The Bank of France discount rate has been progressively reduced from 6 per cent. to 4 per cent. since the last settlement.

The resignation of M. Laval's Government occurred since this report was received.

Bordeaux.—Business still continues very quiet in the wine trade, but prices remain firm. Resin prices are also firm with an upward tendency.

Le Havre.—Cotton prices have been depressed by the weak tendency of the New York market and by the American Supreme Court's judgment against the Agricultural Adjustment Administration. Havre stocks of raw cotton have recently been increasing, but the French mills are readily absorbing available supplies, and are able to work at a profit.

Coffee prices have fluctuated narrowly in a depressed market. Demand for Brazilian coffee has fallen away owing to the possibility of further quota modifications. Stocks generally are increasing, and demand is disappointing.

Lille.—Business in the cotton industry was quiet at the turn of the year, but prices remain firm and there has been no set-back in the improvement previously reported. Doubt concerning future price movements has arisen owing to the American situation and the partial scarcity of good quality cotton in both American and Egyptian growths. Yarn prices for deliveries over a period show a rising tendency. Stocks have decreased considerably and a bigger demand is expected in the near future. Unemployment continues to decline. Conditions in the linen industry are depressed, for in spite of the placing of orders by the Government and other authorities, competition is so keen that barely remunerative prices are being obtained. Local spinners continue to complain of the high prices imposed by the Monopoly, and also of the poor quality of new deliveries of raw flax.

Roubaix.—There has recently been the normal seasonal slackening in the turnover of tops. Prices are well maintained, but are still below the world level. There has been an improvement in the combing section owing to the arrival of new wools, but production is still much below normal. Spinners, although fairly well occupied, report a falling-off in orders, but this may be only temporary. Demand for men's suitings has improved. Stocks held by the combing mills at the end of December amounted to 12·0 million kilogrammes, an increase of 500,000 kilogrammes as compared with the previous month, but 1,700,000 kilogrammes less than a year ago. Unemployment has decreased slightly, but remains high.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Antwerp.—Business has remained quiet during the past month. Rubber continues to be firm owing to demands from the trade and a certain amount of speculation. Wheat shows practically no change. Offers are being absorbed at current prices. Cotton is firm and prices have advanced, but cotton oil, and flax have reacted violently. The market for combed wool has strengthened considerably and the tendency is good. The Stock Exchange is less active, but certain local shares such as textiles and chemicals have made substantial progress. Government stocks and colliery shares are firm.

Brussels.—Business in iron and steel has been particularly quiet. Sales during December amounted to 109,000 tons, of which 63,000 tons were for the home market and 44,000 tons for export. At 31st December, 32,000 tons remained to be specified. December production of steel amounted to 259,470 tons, against 249,458 tons in November and 243,396 tons in December, 1934. In view of the expansion in the British steel trade the Continent has been allowed to export an increased quota of 100,000 tons of semi-finished products, to be delivered between now and the end of March. As a result Belgium has concluded important contracts with England, while new contracts have also been made with India, Jugoslavia and Roumania. The demand for domestic qualities of coal, although slightly quieter, is sufficient to absorb current production. Exports to France have been slightly disorganised by the recent floods. Industrial qualities remain in active

demand. Total stocks at the collieries now are less than 2 million tons, and the position is better than it has been for many months.

Germany

There has been a set-back in several branches of industry, coupled with a sharp increase in unemployment during December from 1,985,000 to 2,507,000. This is partly due to interruptions to house building and road construction caused by bad weather, but there are indications that the previous rapid increase in employment can no longer be maintained. Nevertheless there has been a remarkable improvement in industry during the past year. Comparing 1935 with 1934, the official general production index has risen by 15–16 per cent., or allowing for the incorporation of the Saar a year ago, by 13–14 per cent. The consumption goods industries, however, have not shared in this improvement. The output of motor-cars, especially of medium-sized cars, has risen to a new record. The recent upward trend of production is illustrated by the following calculations. Assuming that prices had remained at their 1928 level throughout, the volume of production has increased in proportions corresponding to :—

Between 1932 and 1933	...	...	Rm. 7 billions.
Between 1933 and 1934	...	...	Rm. 14 billions.
Between 1934 and 1935	...	...	Rm. 9–10 billions.

Thus the rate of increase last year began to diminish.

This expansion has largely been financed by public and semi-public banks, so that there has been less demand for funds from the private banks or the money market. Another consequence is that the Reichsbank's bill holdings have been expanding faster than the note circulation. This divergence is shown in the following table :—

End	Bills. Rm. mill.	Note Circulation. Rm. mill.
1932	2,805	4,513
1933	3,177	4,677
1934	4,065	5,270
1935	4,498	5,718

The relatively small increase in the note circulation shows that current consumption by the general public has not kept pace with the increase in production or expenditure upon capital goods.

Holland

Attention to-day is being concentrated upon the recovery in the Dutch East Indies. Tobacco-planting has at last become profitable and some Sumatra companies have resumed dividend payments. Sugar production has been reduced to 50 per cent. of full capacity, and the mills now open are nearly, if not quite, able to work at a profit. The revised rubber restriction scheme promises well for Dutch producers, while the prices of fibres, tapioca and other products have now reached a higher level. East Indian transport and trading companies, as well as banks and shipping, are benefiting from the revival, but the East Indian government is still unable to balance its budget, and economy is still required.

Holland herself is deriving indirect benefit from this recovery, but the rate of improvement is slower. During the year ended November 30th, 1935, unemployment, as registered at the labour exchanges, rose from 365,000 to 415,000. While there are certain special explanations of this increase, the unemployment problem remains serious. Various schemes for public works and industrial development are being planned, but care is needed lest they only shift the incidence of unemployment.

For Dutch industries 1935 proved no worse than 1934, but the shipping position has deteriorated. Rotterdam is suffering from the special rates quoted by the German State Railways and from the Belgian Rhine shipping premium. The Netherlands Bank has lately been gaining gold and since the New Year has reduced its discount rate from 3½ to 3 per cent. The new capital issue market is beginning to revive, and interest rates are lower.

Norway

The foreign trade returns for the past three years are summarised below :—

	Dec., 1934	Nov., 1935	Dec., 1935	Complete Year. 1933	1934	1935
	Kr. mill.	Kr. mill.	Kr. mill.	Kr. mill.	Kr. mill.	Kr. mill.
Imports	64·1	77·5	87·4	665·2	737·2	820·8
Exports	54·5	61·0	60·1	557·9	578·3	605·1
Import surplus ...	9·6	16·5	27·3	107·3	158·9	215·7

It is customary to include imports of ships in the December returns, and this mainly explains the December increase in imports. The total trade turnover has been steadily improving during the past three years. In spite of the increase in the import surplus it is estimated that for 1935 there will be a favourable balance of payments of Kr.50 millions, or the same as in 1934. In 1933 the favourable balance was Kr.100 millions.

During December there was a small increase in the quantity of laid-up shipping, from 26 vessels of 65,430 tons d.w. to 28 vessels of 69,480 tons d.w. Last August the volume was as high as 72 vessels of 326,235 tons d.w., so that there has since been a marked improvement.

Unemployment rose during December from 39,270 to 40,950, but in December, 1934, it was 41,164. These are official records showing the number of unemployed in excess of vacant positions. It is customary to add 60 per cent. to these figures to allow for country areas which lack official employment offices.

Wholesale prices rose during December from 130 to 131 (1913=100). The cost-of-living index remained unchanged at 153 (July, 1914=100) and recent industrial production index numbers are shown below (first half of 1933=100) :—

	Export Industries.		Home Industries.		All Industries.	
	Oct.	Nov.	Oct.	Nov.	Oct.	Nov.
1933	107	112	104	106	105	108
1934	107	110	109	111	109	111
1935	112	126	120	120	117	122

It will be seen that last November witnessed a rapid improvement in industries manufacturing for export markets.

At the opening of Parliament the King's speech alluded to the general revival in industry, agriculture and fishing. The Labour Government has issued its first draft budget. There will be a net increase of Kr.18·7 millions in the National Debt. The crisis grants will be raised from Kr.69·6 to Kr.88·4 millions. There will be no increases in taxation, and the "Funds Tax" will be reduced from 8·8 to 7 per cent.

Sweden

Timber sales have now reopened after the holiday season. Contracts are usually for delivery "first open water" or in the summer. The tone is firm, thanks to the favourable influence

exerted by the European export combine at the end of December. Present prices are close on 20 shillings per standard above last year's bottom prices, but prices for certain grades remain unsatisfactory. The quantity sold up to the middle of January is estimated at about 150,000 standards.

The wood pulp market has been in a relatively favourable position recently in regard to both contracted sales and prices. The firmer tendency discernible at the end of last year has continued. There has been a slight rise in prices for bleached sulphite, especially for prompt delivery, and Kraft pulp quotations for the United States have been somewhat higher. American demand for strong sulphate is good not only for 1936, but also for delivery in 1937 and to a certain extent in 1938 as well; the quantity sold corresponds to about 80 per cent. of the 1936 output. Although few contracts for mechanical pulp have come forward, sales have on the whole made good progress, and now amount to 65 per cent. of the estimated production for the current year. There is a strong tendency towards stability in this market, owing mainly to the new system of co-operation between producers in the northern countries. Prices, however, remain low.

The paper market has shown a gradual improvement. Producers of newsprint are well supplied with orders, but there has been no appreciable rise in prices. Prices for Kraft paper have risen by 10s. per ton for certain overseas markets, but are unchanged in Europe. Demand is good. Prices for both sulphite and greaseproof have hardened. Towards the end of November a cartel called Scangreaseproof was formed, embracing all Scandinavian producers of greaseproof, and establishing co-operation with producers in England, Holland, Germany, and Belgium.

The iron market was threatened by a labour dispute at the end of the year, but as a result of mediation, a new two-year collective agreement has been drawn up. The volume of business has been satisfactory. The consumption of Swedish iron is still considerable.

Denmark

The year 1935 was on the whole satisfactory for Danish trade. Home industry prospered, the building boom continued, the shipyards were fully occupied, and shipping showed small

profits. Unemployment was reduced, and agriculture improved owing to an excellent harvest and better export prices. The situation at the New Year was unsettled and future developments depend on the terms of the new Trade Agreements which will have to be concluded with the United Kingdom and Germany. In view of the foreign exchange situation, which has further deteriorated in 1935, imports will have to be cut down and the value of exports raised in the coming year. The extent to which import licences are curtailed for the first four months is evidence of this tendency, and as raw material imports are being reduced, employment will be unfavourably affected. Imports in 1935 were valued at Kr.1,330 millions, and exports at Kr.1,261 millions. The import surplus was Kr.69 millions, compared with Kr.124 millions in 1934. Freight earnings have improved, and whereas in 1934 Denmark had an adverse balance of payments of about Kr.30 millions, 1935 should yield a favourable balance sufficient to cover the greater part of the sum of Kr.40 millions needed to cover the year's amortisation of Denmark's external long-term debt.

The butter market has weakened during the past month, and prices fell from Kr.226 to Kr.200 per 100 kilos. Eggs have also fallen from Kr.158 to Kr.138 per 100 kilos. Bacon is firm and prices rose from Kr.152 to Kr.164 per 100 kilos. The latest figures show that the number of unemployed has increased since December 13th from 94,269 to 116,764, compared with 115,972 a year ago.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

The most important event in the last few weeks is the consideration of this year's budget by the Federal Authorities. They are determined to make substantial economies both in the working of the Federal railways and in the subsidies, with which they have been very lavish in the past, and which have weighed heavily on the taxpayer. This has caused considerable criticism from the interested parties. The Bank, Leu & Co. of Zurich, has recently been in difficulties owing to heavy withdrawals and inability to repatriate its funds frozen in Germany. It has been granted a moratorium of three months for the purpose of reorganisation. Since the end of December the weather has turned very warm, and there is at present

very little snow. This will undoubtedly cause very considerable losses in all the winter sports centres. Numerous bookings have been cancelled, and the effect will be in the nature of a disaster to many hotels.

Spain

Particulars of the new Commercial Agreement with France show that due recognition has been given to the agricultural basis of Spanish exports. The Agreement also provides for the payment to France of arrears of about Frs.180 millions within two months under the guarantee of the State and of the Bank of Spain. A Clearing Agreement has also been concluded with England whereby trade indebtedness to England will be liquidated from the sterling surplus accumulated in London. A two-years Commercial Treaty with Turkey was signed at the beginning of this year. This should benefit the Spanish textile and metallurgic industries.

Revenue to the end of November from purely fiscal sources amounted to Ptas.3,657 millions. This is the highest figure reached during the last five years. Expenditure at Ptas.3,796 millions also constitutes a record over the same period. In effect Revenue has almost reached the estimated figure for 1935, whilst Expenditure shows an important drop.

Exports of olive oil up to the end of October were more than 52,000 tons, or an increase of 7,500 tons over the figures for the same period of 1934. This increase is all the more notable in that the year opened badly, the improvement being due to an important foreign demand in the second half of the year. The 1935 crop was, however, abundant and of excellent quality, and the year ended with a sharp fall in quotations.

The Government has decided against a Zinc Consortium and satisfaction is expressed at this reaction against State intervention in industry.

Morocco

From the Bank of British West Africa Limited

Business during the past month has been abnormally quiet in the French Zone. Though rains have fallen in northern districts in varying degrees, in the south drought is causing anxiety in places, and there has been some increase in local prices of grain in consequence. The wheat census of November

20th revealed that stocks of soft wheat amounted to 136,000 tons, of which 76,500 tons may be shipped to France under the quota. It is estimated that in 1935 French Morocco had 15,500 square miles under wheat cultivation. A new Franco-Spanish trade agreement was signed on November 23rd, which should permit of a resumption of exports of eggs to Spain. During the five years 1930–1934 the export of eggs from the French Zone exceeded a yearly average of 9,300 tons, value about Frs.50 millions. Spain and France take nearly the whole of this output. Provisional figures give exports of phosphates from the French Zone in 1935 as 1·3 million tons. The French Zone budget estimates for 1936 have been fixed at Frs.881 millions, leaving a surplus of Frs.105,000. Estimated receipts are Frs.400 millions less than in 1935, the reduction being mostly in new loans, which are to be reduced to only Frs.16 millions, against amounts ranging from Frs.200 millions to Frs.500 millions for the past five years. The estimated shrinkage of Frs.45 millions in Customs receipts is largely offset by economies in the administrative services. New exchange control regulations by the Spanish Government, providing that payments out of funds in Spain to foreigners against instructions from Tangier and the Spanish Zone require the preliminary authorisation of the Exchange Control, have adversely affected business in Tangier and the Spanish Zone.

The United States

The outlook has been temporarily confused by such events as the Supreme Court's annulment of the Agricultural Adjustment Act and the passing of the Veterans' Bonus Bill. Little importance is attached to any suggestions of a further devaluation of the dollar, and many hold that the termination of the A.A.A. schemes, though temporarily confusing, may in the long run turn out a favourable factor. General business activity is now greater than it has been since 1930, and the improvement is expected to be maintained during this year. Retail trade will continue to benefit indirectly from relief distribution, and if the capital goods industries could revive, the unemployment problem would be materially lessened.

The raw sugar market has been disturbed by uncertainty regarding the quotas. The Supreme Court's judgment has put an end to the regulation of home production. Imports

from Cuba and the Philippines are still governed by Trade Agreements. The question is whether imports from Hawaii and Puerto Rico, both "insular possessions" administered by the Federal Government, can be made still subject to control.

The tone of the copper market is slightly easier, but producers are confident that they can maintain the basic price of 9¼ cents per lb. and that home demand will soon revive. Should the Tennessee Valley Administration be declared unconstitutional, there should be an almost immediate demand for lead-covered cable from the public utility companies, and this should help the lead market. Dealings in zinc and tin have been slow.

Output of pig-iron averaged 67,950 tons per day during December, against 68,864 tons in November. The number of furnaces in blast was reduced from 122 to 119. For 1935, total production rose to 21 million tons, against 16 million tons in 1934. Between 1932 and 1935 the total quantity of finished steel products shipped rose from 3,974,000 to 7,371,000 tons. The outlook for the first half of 1936 is considered good.

Considering its many disturbances, the spot cotton market has been very steady. Shipments for the season to date are 3,713,000 bales, against 2,589,000 bales in 1934–35 and 4,427,000 bales in 1933–34. Future quotations for new crop months are at a discount below spot quotations and those for old crop months. Some anxiety is felt regarding the Government's holdings of 5,100,000 bales and the 900,000 bales of "futures" held by the Producers' Pool. So long as these large quantities hang over the market, no substantial rise in prices is likely. The textile trades have lately been at a temporary standstill pending the price readjustments necessitated by the abrogation of the cotton processing tax of 4 cents per lb.

South America

Argentina.—The system of selling foreign exchange by auction has been abolished, and rates are now fixed by the central bank. December witnessed a slight adverse movement of the free exchange rate from 18·02 to 18·25 pesos to the pound. Comparing the first eleven months of 1934 and 1935, imports rose from 1,016 to 1,079 million pesos and exports from 1,319 to 1,416 million pesos. The export surplus was thus increased from 303 to 337 million pesos.

Brazil.—Foreign prices for coffee were well maintained during December, and shipments from Brazilian ports were well above the average. Exports for the whole of 1935 were 15,400,000 bags, or the highest for any of the past ten years with the exception of 1931. World consumption during the past half-year was higher than in 1934. Prices, however, are unsatisfactory and this is ascribed in part to the heavy customs duties imposed by many importing countries. The revision of existing commercial agreements is now being contemplated. Forecasts for the next cotton crop are at present very optimistic. Steps have been taken to reduce damage by pests and if weather conditions prove favourable, the chief difficulty anticipated is that of a labour shortage.

Chile.—Satisfactory rains fell in the South during November, and the state of the cereal sowings is reported to be good. Copper production for the first ten months of 1935 amounted to 223,779 tons, against a parallel output of 197,413 tons for 1934. Gold produced during the first ten months of each year rose from 5,698,712 grammes fine in 1934 to 6,585,316 grammes fine in 1935. Nitrate production and sales have both expanded appreciably during the past few years.

*** Further information regarding trade conditions in South America will be found in the *Monthly Review*, published by the Bank of London & South America, Limited.

Japan

The trade returns for 1935 are as follows: Exports Yen 2,499 millions, Imports Yen 2,472 millions, excess of exports Yen 27 millions. Compared with 1934, exports and imports show an increase of 15 per cent. and 8·3 per cent. respectively, and the total of exports and imports an increase of 11·6 per cent. In the early part of the year a pessimistic outlook prevailed, but this was dispelled in the second half. At the end of the year the total volume of overseas trade, including the colonies, reached Yen 5,114 millions, which is a new high record. Trade of Japan proper resulted in an export surplus for the first time since 1918. During the year all the principal items in the export trade showed an increase, notably raw silk, cotton yarn and miscellaneous goods. Exports of cotton textiles occupied first place, totalling 2,710 million square yards, or 143 million square yards more than in 1934.

On the import side, raw cotton heads the list as before, and there were substantial increases in iron, crude heavy oils, and sulphate of ammonia. There was a decrease in exports to certain countries, notably Holland, Canada, and Egypt, due partly to trade restrictions, and partly to the Italo-Abyssinian dispute. The invisible trade balance reveals the payment of considerable sums, though of a temporary nature, for the redemption of foreign loans and investments in Manchukuo, but at the same time shipping receipts, tourist returns, and repayment of Japanese overseas investments, showed a marked recovery, and offset a greater part of the payments. The excess of payments is estimated to be approximately Yen 44 millions.

During the early part of the year there were misgivings as regards over-production, but they were overcome by intensification of control. Simultaneously, the activity in the armaments industries gave rise to a more cheerful commercial outlook. The prospects of American recovery and the upward price movements in agricultural produce, also had a beneficial effect. Unemployment showed some decrease and there was an expansion in purchasing power. Commodity markets remained steady, wholesale prices advanced to a new high record since the reimposition of the gold embargo, and the money market remained active in sympathy with the recovery in business. On the Stock markets, pessimism in June and July quickly gave way to a better feeling and there was a general recovery in prices. The foreign exchange market experienced disturbances due to fluctuations in gold and silver prices, but movements in the Yen were nevertheless very narrow, and a high degree of steadiness was maintained throughout.

Statistics

BANK OF ENGLAND

Issue Department

	Note Circulation.	Govt. Debt.	Other Govt. Securities.	Other Securities.	Silver Coin.	Fiduciary Issue.	Gold.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
End March, 1929	361·8	11·0	235·2	9·0	4·8	260·0	133·3
„ „ 1930	352·3	11·0	233·0	11·5	4·5	260·0	155·1
„ „ 1931	357·1	11·0	232·0	12·9	4·0	260·0	144·5
„ „ 1932	360·5	11·0	240·9	19·3	3·8	275·0	120·8
„ „ 1933	367·1	11·0	249·9	10·5	3·6	275·0	171·8
„ „ 1934	378·8	11·0	245·4	0·1	3·5	260·0	191·1
„ „ 1935	381·4	11·0	246·7	0·2	2·1	260·0	192·5
Jan. 15, 1935	397·7	11·0	246·5	1·4	1·1	260·0	200·2
Jan. 22, 1935	394·9	11·0	245·8	2·0	1·1	260·0	200·2

Banking Department

	Public Deposits.	Bankers' Deposits.	Other Deposits.	Govt. Securities.	Discounts and Advances.	Other Securities.	Reserve.	Proportion.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	%
End March, 1929	19·7	58·2	36·4	50·6	13·0	17·1	51·9	45·4
„ „ 1930	18·8	54·9	35·9	44·8	6·1	13·3	63·7	58·1
„ „ 1931	17·2	58·8	34·7	30·3	24·6	25·7	48·3	43·6
„ „ 1932	27·2	54·6	34·4	35·7	11·7	51·1	35·9	30·9
„ „ 1933	21·2	92·8	35·0	57·7	11·8	17·2	80·6	54·0
„ „ 1934	17·5	94·5	36·9	77·1	5·6	11·0	73·4	49·2
„ „ 1935	20·1	96·6	41·2	87·6	5·6	11·4	71·7	45·3
January 15, 1935	13·8	110·1	37·5	83·9	20·0	12·5	63·1	39·0
January 22, 1935	13·1	118·9	36·4	86·7	19·3	14·5	66·0	39·1

LONDON CLEARING BANKS (monthly averages)

	Deposits.	Acceptances, Guarantees, etc.	Cash.	Balance and Cheques.	Call Money.	Bills.	Investments.	Advances.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
March, 1925	1,643·5	113·9	190·2	51·1	111·7	205·1	299·4	857·1
„ 1929	1,776·6	222·1	187·8	52·7	136·1	216·6	258·9	995·9
„ 1930	1,719·3	159·3	184·4	51·3	134·7	183·6	240·4	990·8
„ 1931	1,763·9	121·5	184·0	43·5	114·1	240·4	311·1	936·1
„ 1932	1,676·4	98·7	174·0	43·4	112·5	216·8	281·9	902·1
„ 1933	1,925·2	95·8	207·0	40·1	108·7	348·1	510·2	766·2
„ 1934	1,830·6	112·8	218·9	43·5	120·4	202·1	547·1	753·0
„ 1935	1,923·3	117·7	214·0	43·6	133·4	207·0	614·4	766·8
Nov., 1935	2,039·5	97·5	214·3	46·7	147·3	293·2	620·6	774·0
Dec., 1935	2,091·3	100·6	220·7	60·8	159·0	322·0	605·1	778·8

LONDON BANKERS' CLEARING HOUSE RETURNS

	Town Clearing.	Metropolitan Clearing.	Country Clearing.	Total.
	£ mn.	£ mn.	£ mn.	£ mn.
1925	35,801	1,678	2,958	40,437
1929	39,936	1,882	3,079	44,897
1930	38,782	1,812	2,964	43,558
1931	31,816	1,668	2,752	36,236
1932	27,834	1,610	2,668	32,112
1933	27,715	1,657	2,766	32,138
1934	30,740	1,760	2,984	35,484
1935	32,444	1,887	3,229	37,560
1935 to January 23 ...	2,334	132	219	2,685
1936 to January 22 ...	2,043	141	240	2,424

BANKERS' PROVINCIAL CLEARING RETURNS

	Mar., 1925.	Mar., 1929.	Mar., 1932.	Mar., 1933.	Mar., 1934.	Mar., 1935.	Nov., 1935.	Dec., 1935.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Birmingham	11·3	11·9	9·0	9·7	11·3	9·6	10·4	11·0
Bradford	—	5·9	3·4	3·3	4·2	3·8	4·3	4·4
Bristol	5·1	5·3	4·9	5·0	5·4	4·9	5·2	5·0
Hull	4·8	4·0	3·0	3·2	3·2	3·2	3·7	3·3
Leeds...	4·5	4·4	3·8	3·8	4·4	4·3	4·2	3·3
Leicester	3·6	3·6	3·1	3·1	3·3	2·8	3·0	3·1
Liverpool	42·5	34·2	25·6	25·6	26·8	25·8	25·3	25·6
Manchester	77·4	58·0	42·5	42·1	46·1	42·8	41·0	43·0
Newcastle-on-Tyne...	7·8	6·5	5·7	6·5	6·9	5·5	5·6	6·2
Nottingham	2·3	2·8	1·9	1·9	2·0	2·0	2·2	2·1
Sheffield	5·0	4·6	3·3	3·5	3·6	3·4	3·8	3·6
	164·3	141·2	106·2	107·7	117·2	108·1	108·7	110·6

LONDON AND NEW YORK MONEY RATES

	London.					New York.		
	Bank Rate.	Treasury Bills. Tender Rate.	Treasury Bills. Market Rate.	3 Months' Bank Bills.	Short Loans.	F.R.B. Rediscount Rate.	Call Money.	Acceptances.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End March, 1925	5	4 1/16	—	4 1/8–4 1/16	3 1/2–4 1/2	3 1/2	3 1/2	3 1/8
,, ,, 1929	5 1/2	5 1/16	5 1/8	5 1/16–5 1/8	4 1/2–4 1/2	5	15	5 1/8
,, ,, 1930	3 1/2	2 1/8	2 1/16	2 1/16–2 1/8	2 1/2–2 1/2	3 1/2	3 1/2	2 1/2
,, ,, 1931	3	2 1/16	2 1/16–2 1/8	2 1/16–2 1/8	2–2 1/2	2	1 1/2	1 1/8
,, ,, 1932	3 1/2	2 1/16	1 15/16	2 1/2–2 1/2	2–3	3	2 1/2	2 1/2
,, ,, 1933	2	1/16	1/16–1/8	1/8	1/2–1	3 1/2	3	2 1/2
,, ,, 1934	2	1/16	1/8	1/16–1/8	1/2–1	1 1/2	1	1/8
,, ,, 1935	2	1/8	1/16–1/16	1/16–1/8	1/2–1	1 1/2	1	1/16
Dec. 24th, 1935	2	1/16	1/8–1/16	1/8–1/16	1/2–1	1 1/2	1/2	1/16
Jan. 22nd, 1936	2	1/16	1/16–1/16	1/16–1/16	1/2–1	1 1/2	1/2	1/16

FOREIGN EXCHANGES

London on	Parity (prior to Sept. 21, 1931)	1934. Jan. 24	1935. Jan. 23	1936. Jan. 1	Jan. 8	Jan. 15	Jan. 22
New York—							
(*a*) Spot ...	$4·866	4·99 1/2	4·89 1/2	4·93	4·93 1/16	4·96 1/8	4·96 1/8
(*b*) 3 Months	—	4c. dis.	1/16c. dis.	1c. pm.	1c. pm.	1/16c. pm.	1/8c. pm.
Montreal ...	$4·866	5·02 1/2	4·89	4·96	4·95 1/2	4·97	4·96 1/2
Paris—							
(*a*) Spot ...	Fr. 124·21	80 1/16	74 1/2	74 1/16	74 1/2	74 1/2	75
(*b*) 3 Months	—	27 1/2c. dis.	31 1/2c. dis.	Fr.1 1/2 dis.	Fr.2 1/2 dis.	Fr.2 dis.	Fr.2 1/2 dis.
Berlin—							
(*a*) Official ...	Mk. 20·43	13·29 1/2	12·23	12·24	12·27	12·29	12·29
(*b*) Registered Marks	—	17 1/2% dis.	36% dis.	47% dis.	47% dis.	46 1/2% dis.	47 1/2% dis.
Amsterdam ...	Fl. 12·11	7·81 1/2	7·26 1/2	7·25 1/2	7·27 1/2	7·27 1/2	7·28 1/2
Brussels ...	Bel. 35	22·55	21·03	29·25	29·31 1/2	29·31	29·28
Milan	Li. 92·46	59 1/2	57 1/16	61 1/2	61 1/2	61 1/2	61 1/2
Zurich ...	Fr. 25·22 1/2	16·23	15·16 1/2	15·15 1/2	15·17 1/2	15·20	15·20
Stockholm ...	Kr. 18·16	19·39	19·39 1/2	19·39 1/2	19·39 1/2	19·39 1/2	19·39 1/2
Madrid ...	Ptas. 25·22 1/2	39 1/2	35 1/2	35 1/2	36 1/2	36 1/16	36 1/16
Vienna ...	Sch. 34·58 1/2	29*	26 1/2	26 1/2	26 1/2	26 1/2	26 1/2
Prague... ...	Kr. 164 1/2‡	105 1/2	117 1/2	118 1/2	119 1/16	119 1/2	119 1/2
Buenos Aires ...	47·62d.	36 1/2†	15 1/2§	15 1/2§	15 1/2§	15 1/2§	15 1/2§
Rio de Janeiro...	5·89d.	4 1/2†	4 1/2†	4 1/2†	4 1/2†	4 1/2†	4 1/2†
Valparaiso ...	Pes. 40	51·50†	95·90†‖	127‖*	127‖*	128‖*	128‖*
Bombay ...	18d.	18 1/16d.	18 1/16d.	18 1/2d.	18 1/2d.	18 1/2d.	18 1/2d.
Hong Kong ...	—d.	18d.	21 1/2d.	15 1/2d.	15 1/2d.	15 1/2d.	15 1/2d.
Kobe	24·57d.	1/2 1/16	1/2	1/2	1/2 1/16	1/2 1/16	1/2 1/16
Shanghai ...	—d.	16 1/2d.	17 1/2d.	14 1/2d.	14 1/16d.	14 1/16d.	14 1/2d.
Gold price ...	per oz.	132s. 9d.	142s. 1 1/2d.	141s. 2d.	141s. 0 1/2d.	140s. 9 1/2d.	140s. 9 1/2d.
Silver price ...	per oz.	19 1/2d.	24 1/2d.	22 1/2d.	20 1/16d.	20 1/16d.	19 1/2d.

* Nominal. † Official Rate. ‡ Kr.197·10, since devaluation of Kroner on February 17th, 1934.
§ Prior to January 14th, 1935, rates represent pence per gold peso, henceforward paper pesos to the £.
‖ Revalued on January 1st, 1935; export rate.

PUBLIC REVENUE AND EXPENDITURE

	1931–32.	1932–33.	1933–34.	1934–35.	1934–35 to Jan. 26	1935–36 to Jan. 25
REVENUE—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Income Tax	287·4	251·5	228·9	228·9	122·2	125·6
Sur-Tax	76·7	60·7	52·6	51·2	24·6	21·9
Estate Duties	65·0	77·1	85·3	81·3	64·7	70·4
Stamps	17·1	19·2	22·7	24·1	16·4	16·8
Customs	136·2	167·2	179·2	185·1	153·6	162·4
Excise	119·9	120·9	107·0	104·6	89·1	90·8
Motor Vehicles Duties (Exchequer Share) ...	5·0	5·0	5·2	5·1	5·2	6·6
Other Tax Revenue	3·2	3·1	2·6	3·1	0·3	0·3
Total Tax Revenue	710·5	704·7	683·5	683·4	476·1	494·8
Post Office	11·5	10·9	13·1	12·3	14·6	13·6
Crown Lands	1·3	1·2	1·2	1·3	1·2	1·0
Receipts from Sundry Loans	13·8	5·1	4·7	4·4	4·2	4·8
Miscellaneous Receipts ...	33·9*	22·9	22·1	15·1	12·8	17·0
Total Non-Tax Revenue ...	60·5	40·1	41·1	33·1	32·8	36·4
Total Ordinary Revenue ...	771·0	744·8	724·6	716·5	508·9	531·2
Post Office	58·0	59·3	59·3	61·8	47·4	50·9
Road Fund	22·5	22·9	25·5	26·4	24·1	22·0
Total Self-balancing Revenue ...	80·5	82·2	84·8	88·2	71·5	72·9
EXPENDITURE—						
National Debt Interest ...	289·5	262·3	212·9	211·6	191·8	190·2
Payments to N. Ireland ...	6·3	7·0	6·6	6·8	4·6	4·5
Other Cons. Fund Services ...	3·1	3·3	4·1	3·6	2·9	2·9
Post Office Fund	—	—	—	2·3	2·3	1·1
Supply Services	439·2	458·3	458·8	472·2	376·8	401·2
Total Ordinary Expenditure ...	738·1	730·9	682·4	696·5	578·4	599·9
Sinking Fund	32·5	17·2	7·7	12·3	—	—
Payments to U.S. Govt. ...	†	29·0	3·3	—	—	—
Self-balancing Expenditure (As per contra)	80·5	82·2	84·8	88·2	71·5	72·9

* Includes Appropriation from Rating Relief Suspense Account.

† Included under National Debt Interest.

PRODUCTION

	Coal.	Pig-Iron.	Steel.
	Tons mill.	Tons thous.	Tons thous.
Total 1913	287·4	10,260	7,664
„ 1925	243·2	6,262	7,385
„ 1929	257·9	7,589	9,636
„ 1930	243·9	6,192	7,326
„ 1931	219·5	3,773	5,203
„ 1932	208·7	3,574	5,261
„ 1933	207·1	4,136	7,024
„ 1934	221·0	5,969	8,850
„ 1935	222·9	6,426	9,842
December, 1934	18·6	514	655
December, 1935	19·7	559	812

BOARD OF TRADE PRODUCTION INDEX NUMBER
(1930 = 100)

	1934.			1935.		
	Year.	3rd Qr.	4th Qr.	1st Qr.	2nd Qr.	3rd Qr.
Mines and Quarries	90·8	84·4	94·7	95·5	87·4	85·8
Iron and Steel	115·7	110·6	116·4	121·9	123·2	124·1
Non-Ferrous Metals	122·7	127·5	145·4	142·4	138·4	136·6
Engineering and Shipbuilding... ...	94·0	92·5	102·4	105·7	103·6	102·4
Building Materials and Building ...	135·3	143·6	138·1	138·0	151·4	155·6
Textiles	113·3	107·1	116·7	119·0	116·8	113·6
Chemicals, Oils, etc.	104·6	102·4	105·0	109·3	108·8	109·0
Leather and Boots and Shoes	104·5	96·2	107·1	116·8	115·2	109·7
Food, Drink and Tobacco	101·8	101·3	107·2	98·2	107·3	108·4
Total *	106·1	103·2	111·9	113·1	111·5	110·8

* Includes paper and printing, gas and electricity, rubber, cement and tiles.

UNEMPLOYMENT

(a) Percentage of Insured Workers

Date.	1928.	1929.	1930.	1931.	1932.	1933.	1934.	1935.
End of—								
January	10·7	12·3	12·4	21·5	22·4	23·1	18·6	17·6
February	10·4	12·1	12·9	21·7	22·0	22·8	18·1	17·5
March	9·5	10·0	13·7	21·5	20·8	21·9	17·2	16·4
April	9·5	9·8	14·2	20·9	21·4	21·3	16·6	15·6
May	9·8	9·7	15·0	20·8	22·1	20·4	16·2	15·5
June	10·7	9·6	15·4	21·2	22·2	19·4	16·4	15·4
July	11·6	9·7	16·7	22·0	22·8	19·5	16·7	15·3
August	11·6	9·9	17·1	22·0	23·0	19·1	16·5	14·9
September	11·4	10·0	17·6	22·6	22·8	18·4	16·1	15·0
October	11·8	10·3	18·7	21·9	21·9	18·1	16·3	14·6
November	12·2	10·9	19·1	21·4	22·2	17·9	16·3	14·6
December	11·2	11·0	20·2	20·9	21·7	17·5	16·0	14·2

(b) Actual Numbers Unemployed (in thousands)

	Mar., 1929.	Mar., 1932.	Mar., 1933.	Mar., 1934.	Dec., 1934.	Mar., 1935.	Nov., 1935.	Dec., 1935.
Number of Insured Persons unemployed—								
Wholly unemployed	920	2,129	2,205	1,814	1,710	1,727	1,598	1,569
Temporarily stopped	200	427	511	317	293	324	226	210
Normally in casual employment ...	84	104	105	94	83	92	82	79
Total	1,204	2,660	2,821	2,225	2,086	2,143	1,906	1,858

RAILWAY TRAFFIC RECEIPTS

	Year				Aggregate for 4 Weeks			
	1934.		1935.		1935.		1936.	
	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Great Western ...	10·5	14·5	10·7	14·6	0·6	1·1	0·6	1·2
London & North Eastern*	16·1	28·3	16·4	28·2	1·0	2·2	1·0	2·3
London Midland & Scottish	24·7	35·1	25·0	35·7	1·4	2·7	1·4	2·8
Southern	15·1	4·9	15·5	4·7	1·0	0·4	1·0	0·4
Total	66·4	82·8	67·6	83·2	4·0	6·4	4·0	6·7

* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

RETAIL TRADE

(from the Board of Trade Journal)

Change in value since same date in previous year

	Dec., 1932.	Dec., 1933.	Dec., 1934.	Nov., 1935.	Dec., 1935.
By CATEGORIES: Great Britain	%	%	%	%	%
Total	− 0·7	+ 4·1	+ 1·8	+ 7·0	+ 9·1
Food and Perishables	− 1·5	+ 2·1	+ 2·3	+ 9·6	+10·1
Other Merchandise of which					
Piece-goods*	− 8·2	+ 2·8	Nil	− 1·0	+ 1·3
(i) Household Goods ...	—	+ 8·0	− 0·5	+ 2·3	+ 4·4
(ii) Dress Materials... ...	—	− 2·5	+ 1·4	− 1·6	− 1·7
Women's Wear*	+ 0·8	+ 7·5	− 0·2	+ 2·2	+ 8·0
(i) Fashion Departments ...	− 0·3	+ 9·1	+ 1·0	+ 6·5	+ 8·8
(ii) Girls' and Children's Wear	− 0·8	+ 4·8	− 3·1	+ 1·4	+ 4·7
(iii) Fancy Drapery	+ 1·1	+ 7·4	+ 0·8	− 1·2	+ 8·2
Men's and Boys' Wear ...	+ 1·8	+10·6	− 5·9	+ 1·3	+13·5
Boots and Shoes	− 1·3	+ 0·3	+10·8	+11·3	+ 5·2
Furnishing Departments ...	− 0·6	+ 7·5	+ 8·5	+ 7·6	+ 2·2
Hardware	− 0·5	+ 7·6	+ 4·1	+ 7·7	+ 8·4
Fancy Goods	+ 1·4	+ 4·5	+ 3·6	+ 6·3	+ 4·7
Sports and Travel	− 1·7	− 3·5	+ 4·9	+10·0	+ 6·4
Miscellaneous and Unallocated	+ 2·9	+ 6·5	− 4·9	+ 6·0	+17·7
By AREAS—					
All Categories—					
Scotland	− 1·4	+ 1·8	+ 2·7	+ 5·1	+ 7·0
Wales & North of England ...	− 2·6	+ 3·1	+ 1·7	+ 7·2	+ 8·4
South of England	− 0·2	+ 5·0	+ 2·1	+ 8·1	+10·9
London, Central & West End	+ 1·6	+ 5·6	+ 1·1	+ 3·3	+ 9·0
London, Suburban	+ 1·7	+ 5·4	+ 1·7	+ 8·8	+ 8·6

* Including some goods which cannot be allocated to sub-headings.

OVERSEAS TRADE

Date.	Imports.				Exports.			
	Food.	Raw Materials.	Manufactured Goods.	Total.	Food.	Raw Materials.	Manufactured Goods.	Total.
Monthly Average—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1925	47·5	35·4	26·6	110·1	4·6	7·0	51·4	64·4
1929	44·6	28·3	27·9	101·7	4·6	6·6	47·8	60·8
1930	39·6	20·9	25·6	87·0	4·0	5·3	36·7	47·6
1931	34·7	14·4	21·8	71·8	3·0	3·9	24·3	32·6
1932	31·1	13·7	13·1	58·5	2·7	3·6	23·0	30·4
1933	28·3	15·0	12·6	56·3	2·4	3·8	23·4	30·6
1934	28·9	17·5	14·3	61·0	2·5	4·0	25·4	33·0
1935	29·7	17·7	15·4	63·1	2·6	4·4	27·4	35·5
December, 1934 ...	30·4	18·7	13·8	63·2	2·7	3·9	25·8	34·3
December, 1935 ...	34·4	23·5	16·0	74·5	2·7	4·2	26·2	34·9

SOME LEADING IMPORTS

Date.	Wheat.	Iron Ore and Scrap.	Raw Cotton.	Raw Wool.	Hides, Wet and Dry.	Wood Pulp.	Rubber.	Iron and Steel Manufactures.
Monthly Average—	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. centals of 100 lbs.)	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. tons)
1925	8,071	373	1,578	606	155	103	163	227
1929	9,314	480	1,283	678	98	137	330	235
1930	8,731	363	1,011	652	108	128	326	243
1931	9,952	185	989	707	106	122	237	237
1932	8,803	159	1,048	765	105	153	176	133
1933	9,366	234	1,169	793	120	162	189	81
1934	8,552	392	1,052	657	116	187	395	114
1935	8,435	415	1,057	720	141	185	325	96
December, 1934 ...	8,935	401	1,229	773	147	215	477	114
December, 1935 ...	9,142	422	2,130	809	159	235	216	113

SOME LEADING EXPORTS

	Coal.	Iron and Steel.	Machinery.	Cotton Yarns.	Cotton Piece-Goods.	Woollen Tissues.	Worsted Tissues.	Motor Cars.
Monthly Average—	(thous. tons)	(thous. tons)	(thous. tons)	(mill. lbs.)	(mill. sq. yds.)	(thous. sq. yds.)	(thous. sq. yds.)	(number)
1925	4,235	311	43	11·3	370	11,015	3,492	1,481
1929	5,022	365	47	11·8	306	9,016	3,490	1,991
1930	4,573	263	40	11·1	201	6,587	2,893	1,602
1931	3,563	165	27	11·4	143	4,694	2,479	1,429
1932	3,242	157	25	13·9	183	4,461	2,358	2,246
1933	3,256	160	23	15·8	169	5,110	2,741	2,821
1934	3,305	188	28	10·9	166	5,745	2,772	2,904
1935	3,226	198	32	11·8	162	5,941	3,218	3,683
December, 1934 ...	3,075	187	33	10·3	161	5,118	2,748	3,130
December, 1935 ...	2,867	190	30	11·9	148	5,407	3,282	3,439

PRICES

1. WHOLESALE PRICES

Date.	Index Number (Sept. 16th, 1931 = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
Average 1913	115·8	101·1	111·1	112·0	91·9
1925	177·9	152·3	154·1	148·9	130·2
1929	150·9	139·4	141·3	146·0	126·1
1930	129·3	125·1	124·3	125·0	103·8
1931	107·7	103·5	105·5	103·5	101·9
1932	103·5	89·3	92·0	93·1	88·7
1933	103·5	93·7	87·7	86·6	85·7
1934	106·4	111·1	83·1	84·2	90·4
1935	108·1	120·3	78·4	—	93·5
End December, 1934 ...	106·6	114·1	77·7	85·3	93·0
„ November, 1935 ...	113·6	122·5	79·8	—	94·7
„ December, 1935 ...	113·7	121·9	80·7	—	94·9

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

2. RETAIL PRICES (cost of living)

Date.	Food.	Rent (including Rates).	Clothing.	Fuel and Light.	Other Items included.	All Items included.
End of 1925 ...	71	48	125	80–85	80	75
1929 ...	57	52	115	75	80	66
1930 ...	38	54	105	75	75	53
1931 ...	31	54	90	75	75	47
1932 ...	23	55	85	70–75	70–75	42
1933 ...	24	56	85	70–75	70–75	42
1934 ...	25	56	85–90	70–75	70–75	44
End Oct., 1935 ...	31	58	85	70	70	45
„ Nov., 1935 ...	31	58	85	70	70	47
„ Dec., 1935 ...	31	58	85	75	70	47

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat No. 1 N. Manitoba.	Sugar Centrifugals U.K.	Cotton American Middling.	Wool 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
	per qr. s. d.	per cwt. s. d.	per lb. d.	per lb. d.	per ton s. d.	per ton £	per lb. d
Average 1913 ...	36 10	—	7·01	29 1/16	58 1½	—	36½
1925 ...	66 4½	12 9	12·65	54 11/16	72 9½	261 9/16	34 1/16
1929 ...	54 0½	9 0½	10·29	38½	70 4½	203 11/16	10½
1930 ...	40 1½	6 7	7·44	26⅜	67 0	142⅜	5 11/16
1931 ...	28 2½	6 4½	5·08	23 1/16	58 7	118½	3½
1932 ...	30 6½	5 9½	5·29	22 3/16	58 6	136 3/16	2 3/16
1933 ...	28 2	5 4	5·53	28 3/16	62 3	194 11/16	3½
1934 ...	30 11	4 8½	5·66	30 11/16	66 10½	230	6 3/16
1935 ...	34 3½	4 8	6·69	28	67 10	225 13/16	5 11/16
Dec., 1934 ...	33 7½	4 3½	7·06	24 1/16	67 6	228½	6 11/16
Nov., 1935 ...	35 4	4 10½	6·62	31	69 0	226 11/16	6 1/16
Dec., 1935 ...	35 9½	5 2½	6·50	30 11/16	70 0	220 3/16	6 3/16

LLOYDS BANK

LIMITED

Head Office : 71 Lombard Street, London, E.C.3

Chairman :
J. W. BEAUMONT PEASE

Deputy Chairman :
SIR AUSTIN E. HARRIS, K.B.E.

Vice-Chairman :
F. A. BEANE

Chief General Manager :
G. F. ABELL

Joint General Managers :
W. G. JOHNS, D.S.O., R. A. WILSON, SYDNEY PARKES, S. P. CHERRINGTON

Statement of Accounts

31st December, 1935

LIABILITIES	£
Paid-up Capital	15,810,252
Reserve Fund	8,500,000
Current, Deposit, and other Accounts	401,587,535
Acceptances	3,825,033
Endorsements, Guarantees, and other Obligations	27,916,382

ASSETS	
Cash in hand, and with the Bank of England	42,259,312
Balances with and Cheques on other Banks in the British Isles	15,703,294
Money at Call and Short Notice	33,053,075
Balances with Banks Abroad	1,843,251
Bills Discounted	63,377,093
Investments at or under Market Value	107,029,256
Investments in Subsidiary and Auxiliary Companies :—	
The National Bank of Scotland Ltd.	2,673,286
Bank of London & South America Ltd.	1,711,347
Lloyds & National Provincial Foreign Bank Ltd.	600,000
Indian Premises Company Ltd.	54,502
Loans and Advances	141,307,257
Other Assets and Accounts	8,476,926
Bank Premises	7,809,188
Liabilities of Customers for Acceptances, &c.	31,741,415

Over 1,900 Offices in England and Wales, and others in India and Burma

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